



**MINUTES FROM THE AUDIT AND GOVERNANCE COMMITTEE
OF THE PLANS MANAGEMENT BOARD
November 10, 2020**

A meeting of the Audit and Governance Committee (the “Committee”) of the Plans Management Board (the “Board”) was held November 10, 2020, 10:00 a.m. Pursuant to paragraph 5 of Governor Carney’s Executive Order, dated March 12, 2020, declaring a state of emergency due to the Covid-19 pandemic, the meeting was held telephonically, without a physical location. Members of the public were able to participate using the provided dial-in information.

Committee Members Represented or in Attendance:

Mr. Peter Kennedy, Committee Chair
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. Gerard Gallagher, Board Member At-Large

Others in Attendance:

Mr. Jason Staib, Deputy Attorney General, Delaware Department of Justice
Mr. John Meyer, Director of Contributions and Plan Management, Office of the State Treasurer (“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
Mr. Daniel Madrid, Chief Operating Officer, OST
Mr. Jordan Seemans, Director of Policy and Communications, OST
Mr. Earle Allen, Cammack Retirement Group

CALLED TO ORDER

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

APPROVAL OF MINUTES

The Committee requested that draft meeting minutes be circulated within ten calendar days of the meeting.

The Committee discussed a reference in the draft minutes to certain investments that, according to the auditor, may have been improper. Mr. Macedo noted that the investments were found to be proper and suggested that the minutes be revised accordingly.

A MOTION was made by Mr. Snyder and seconded by Mr. Kennedy to approve the minutes of the Committee meeting on August 11, 2020, as modified to reflect Mr. Macedo's comments. MOTION ADOPTED UNANIMOUSLY

DISCUSSION AND ACTION ITEMS

Morningstar 529 Rating Update

Mr. Meyer provided an update to the Committee on the annual rating of 529 plans released by Morningstar. He stated that the Delaware plan, like the other three states' 529 plans offered through Fidelity, was downgraded from silver to bronze status. Mr. Meyer stated that the plan had been upgraded two times in the last several years, with the most recent upgrade to silver occurring in 2019. Mr. Meyer explained that the rating team at Morningstar recently changed, as did the firm's methodology for assessing 529 plans. Morningstar detailed ongoing concerns around the pricing of certain offerings in Fidelity's investment lineup. Morningstar noted improvements in the oversight of the Delaware plan, including the addition of an investment consultant. Treasurer Davis thanked Committee members for helping to bring about these positive developments.

Update on Audit Report Item

Mr. Meyer provided an update on one of the 401(a) Match Plan's audit findings discussed at the August 11, 2020 meeting. The finding involved procedures for missing participants. Mr. Meyer detailed OST's process for monitoring uncashed checks, which are indicative of missing participants, reported by Voya. OST monitors the reports for all three deferred compensation plans and coordinates with the Office of Pensions to help locate addresses for missing participants. The Committee discussed several of the various means outlined in the 457(b) Plan that OST may use to help locate missing participants. The Committee discussed the costs associated with using locator or registered mail services, and whether such costs would outweigh the dollar value of uncashed checks. Mr. Meyer stated that OST is working with Voya to better understand the process for uncashed checks and their interplay with unclaimed property laws. Mr. Meyer will prepare and circulate a draft policy to address these issues in advance of the Committee's February 2021 meeting.

Vendor Management Policy Update

Mr. Meyer updated the Committee on the status of the vendor management policy. He discussed the broad outlines of the policy, which will deal with vendor selection, risk assessment, performance monitoring, documentation and record-keeping, and contract close-out. Mr. Macedo suggested adding provisions that would require the identification of a vendor universe in procurement and strengthen the process of monitoring contract expiration dates. OST will finalize and circulate a draft policy in advance of the February 2021 meeting.

Recordkeeper RFPs and Contract Extensions

Mr. Meyer gave an update on the RFP for the 529 plan, which is expected to be filed shortly. He noted that the Fidelity agreements have been extended through December 2021 to accommodate any necessary transition to a new 529 plan vendor.

Mr. Meyer indicated that the contract with Voya expires in May 2021, with no further options available under existing agreement. Mr. Meyer suggested that a consensual extension through December 2021 or May 2022 may be needed to accommodate an RFP process for the deferred compensation plans.

Mr. Staib explained that an extension may be permissible under a statutory exception to general procurement code requirements, and that his office would review the matter and issue a formal opinion. Mr. Macedo asked if the opinion would consider any fiduciary implications associated with the extension. Mr. Staib responded that the opinion would address only whether the extension met the requirements of an exception to the general requirements of the procurement code and suggested that the Committee recommend a 6-month, rather than one-year, extension.

The Committee discussed staggering the contract expiration dates for the two programs (college investment and deferred compensation) so that RFP processes do not overlap. OST stated that future staggering of the contracts would provide for comprehensive review of potential vendors which would ultimately benefit participants. The Committee agreed to recommend to the Board to extend the current Voya contract through the end of calendar year 2021 and direct OST to prepare an RFP.

A MOTION was made by Treasurer Davis and seconded by Mr. Snyder to recommend that the Board extend the current Voya contract through December 31, 2021, contingent upon an opinion of the Deputy Attorney General that the extension is permissible under the procurement code. MOTION PASSED UNANIMOUSLY

Mr. Madrid provided the Committee with an update on the ABLÉ Plan. He stated that, based on the recommendation of the Board, Delaware voted in favor of pursuing an RFP for the ABLÉ program's recordkeeper, for which service the contract is set to expire in December 2021. The remaining states also voted in favor of pursuing an RFP for the National ABLÉ Alliance, which will be launched in early 2021 and administered by Illinois, the administrative lead for the Alliance.

The primary goal of the RFP is to seek improved administrative oversight of the providers within the ABLÉ program. For instance, following Third Fifth Bank's notice of a data breach for the checking product within the ABLÉ platform, the Alliance requested increased compliance reporting from the bank, which the bank did not agree to provide going forward. Through the RFP and the resulting contractual process the Alliance intends to enhance the administrative responsibilities of the recordkeeper, though it remains unlikely improved pricing will be an outcome of the process due to the limited time and growth of ABLÉ accounts in the market.

PUBLIC COMMENT

No member of the public was present for comment.

NEXT MEETING

The next meeting of the Committee is scheduled for February 9, 2021.

The next meeting of the Board is scheduled for December 8, 2020.

ADJOURNMENT

A MOTION was made by Treasurer Davis and seconded by Mr. Snyder to adjourn the meeting at 11:16 a.m.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

Pete Kennedy, Chair for the Audit and Governance Committee