



AUDIT AND GOVERNANCE COMMITTEE

February 12, 2019

Plans Management Board



Colleen C. Davis
State Treasurer

AGENDA

- Introductions
- Approval of Minutes – November 13th Meeting
- Presentation
 - 2018 Accomplishments and 2019 Meeting Objectives
- Discussions and Action Items



Committee Members

| Member | Role |
|------------------------------|--|
| Ralph Cetrulo | Committee Chair Plans Management Board (Board) Member |
| Colleen Davis (Designee:TBD) | State Treasurer Plans Management Board Member |
| Jerry Gallagher | Plans Management Board Member |
| John Macedo | Outside Member |
| Tim Snyder | Outside Member |
| Pete Kennedy | Outside Member |



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Committee Membership

- At least 5 members
- No more than 9 members
- At least one member of the Board
- Chair is appointed by the Board and serves at the pleasure of the Board
- Committee may elect a Vice Chair

Source: Plans Management Board Resolution No. 2018-1



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Committee Authority

- Plan Audits
- Plan Amendments
- Plan-related cyber security
- Other audit or governance matters as requested by the Plans Management Board



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Source: Plans Management Board Resolution No. 2018-1

2018 Audit and Governance Committee Accomplishments

Key Highlights

- Creation of the Audit and Governance Committee (February 2018)
- Amendment of 529 Plan Trust - Administrative Fund
- Waiver of Delaware Resident ABLE Administrative Fees
- Recommendation on Legacy Fees for Deferred Compensation Plans
- Ice Miller Contract Extension and Tax Counsel RFP
- Review of Plan Financial Statements and Audit Materials
- Governance Manual Outline
- Policy for Allocation and Payment of Plan Expenses
- MOU with Auditor's Office



2019 Audit and Governance Committee Schedule

| Meeting Date | Topic |
|---------------------------|--|
| February 12 th | 2018 Review and 2019 Preview |
| May 14 th | Governance Manual Review |
| August 13 th | Audit Presentations Internal Control Review |
| November 12 th | Plan Cyber Security |



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Board Policies Reviewed by Audit and Governance Committee

Completed

Allocation and Payment of Plan Expenses

To Be Developed and Reviewed

Board Communications

Code of Conduct

Documentation of Fiduciary Decisions

Annual Training

Audit Procedures

Cybersecurity

Indemnification and Reimbursement Procedures

Operational Procedures

- Internal (OST Procedures)
- External (Vendor Manuals)

Vendor Management

Meeting Rules and Procedures



2019 Audit Schedule

| Plans | 2016 | 2017 | 2018 |
|--|-------------|------------------|------------------------------|
| Deferred Compensation Plan – 457b | Completed | Completed | August 2019 |
| Deferred Compensation Plan – 403b | August 2019 | August 2019 | August 2019 |
| Deferred Compensation Plan- 401a | Completed | Completed | August 2019 |
| Delaware College Investment Plan- 529 | Completed | Completed | August 2019 |
| Delaware ABLE Plan (Fiscal Year- Provided by Alliance) | N/A | '17-18 Completed | '18-19 Expected in Sept 2019 |



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Discussion and Action Items

1. Schedule Ethics and Freedom of Information Act (FOIA) Training
2. Deferred Compensation “Legacy” Carve-Out
3. Voya Contract Extension



Schedule Training for Board and Committee Members

Setting the Foundation for Excellence

Background



- Board convened a meeting for fiduciary training in November 2018.
- Ice Miller conducted the training session.
- Training session was made available to all Board and Committee members.
- Additional training session should be scheduled to cover ethics and Freedom of Information Act material.

Next Steps



- Committee to make recommendation to the Board to request Deputy Attorney General from the Delaware Department of Justice to present a training session on ethics and FOIA topics at the June 4th Board meeting.



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Deferred Compensation “Legacy Fee” Carve-Out

Participants That Left the Plan between Sept 2016-June 2018

Background



- Board approved June 2018 recommendation to use legacy fees to offset future plan expenses, suspend the state administration 457 fees through June 2019, subject to a carve-out for former participants.
- Board debated the September recommendation of the carve-out amount of \$50,000 for the 1,116 participants that left the plan. Board discussed cost benefit analysis of remitting fees. Board directed topic back to the Audit and Governance Committee to determine if any material action should be taken due to potential cost outweighing the benefit.

Next Steps



- Committee originally recommended that if it proves either impossible or infeasible to identify former participants, the carve-out amount would revert back to the plan expense account.
- Challenges exist in locating participants that have left the plan, in defining tax implications, operational constraints (i.e. direct mail, uncashed checks, etc), and communication concerns.
- Recommendation to revert carve-out amount to plan expense account.



Voya Contract Extension

Continue the Momentum

Background



- Deferred Compensation Council awarded the original three year contract for record keeping services for the 457, 403b and 401a plans to Voya in May 2016.
- The agreement has the option of two, one year extensions.
- Due to the complexity of the transition and the 2018 progress on enrollment growth, recommendation to exercise the first of two one-year extensions.

Next Steps



- Recommend to exercise the first one-year extension option for the record keeping services of the 457, 403b and 401a plans with Voya Financials.



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NEXT MEETING

May 14, 2019



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