



**MINUTES FROM THE MEETING OF THE INVESTMENT
COMMITTEE OF THE PLANS MANAGEMENT BOARD
FEBRUARY 16, 2021**

A meeting of the Investment Committee (the “Committee”) of the Plans Management Board (the “Board”) was held on February 16, 2021, commencing at 10:00 a.m. Pursuant to Governor Carney’s Emergency Orders relating 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. Alan Colberg, Committee Chair
Ms. Liza Davis, Deputy State Treasurer, (on behalf of The Honorable Colleen C. Davis, State Treasurer)
Mr. Sean McNeeley, Director of Bond Finance (on behalf of Secretary Rick Geisenberger, Secretary of Finance)
Mr. David Biddle

Others in Attendance:

Mr. Jason Staib, Deputy Attorney General, Delaware Department of Justice
Mr. John Meyer, Director of Contributions and Plans Management, Office of the State Treasurer (“OST”)
Mr. Daniel Madrid, Chief Operating Officer, OST
Mr. Mike Green, Investments and Operations Manager, OST
Mr. Dan Kimmel, Promotion and Outreach Manager, OST
Ms. Deborah Bradl, Executive Assistant, OST
Mr. Earle Allen, Partner, Cammack Retirement Group (“Cammack”)
Mr. James Duffy, Research Associate, Cammack
Ms. Denise Burns, Vice President, Cammack
Mr. Rob Peel, Account Manager, Cammack
Ms. Heather Zakian-Institutional Portfolio Manager, Fidelity Investments, Inc. (“Fidelity”)
Mr. Roger Morrisette, Director, Retirement and Income Solutions, Fidelity
Mr. Dan Terio, Vice President, Investment Product, Fidelity

CALL TO ORDER

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

APPROVAL OF MINUTES

A MOTION was made by Mr. McNeeley and seconded by Deputy State Treasurer Davis to approve the minutes from the Committee meeting on November 17, 2020.

MOTION ADOPTED UNANIMOUSLY

PRESENTATIONS

Investment Performance on Deferred Compensation Plans – Cammack

Mr. Allen reviewed the performance metrics for the three deferred compensation plans. As of December 31, 2020, assets in the plans totaled approximately \$1.06 billion, including assets held at legacy 403b vendors, reflecting a quarterly increase of approximately \$155.9 million, a 17 percent change. Annual contributions were approximately \$65.8 million versus \$66.3 million for 2019. Mr. Allen indicated that the average weighted expense ratio of the funds was 0.32 percent, which is .04 percent less than the average NAGDCA survey result of similar sized plans.

Mr. Allen advised that, because the deferred compensation plans have now reached the \$1 billion threshold, there will be a new benchmark for future fee analyses. The current median weighted expense ratio for the new comparison group is 0.25 percent. Mr. Allen noted that the expense ratio for the plans presently is 0.32 percent. Mr. Colberg asked what the median plan size is for the new comparison group. Cammack will report back on the specific range and added that most plans in the new comparison group are in the \$3-\$7 billion range. Cammack reported that there are no funds on watch at this time and noted that American Funds Washington Mutual R6 has performed in the bottom quartile for the 3-, 5-, and 10-year periods, and that Lazard International Equity R6 has performed in the bottom quartile for the 3- and 5-year periods.

Mr. Allen reviewed the different tiers of funds within the plans. As of December 31, 2020, Tier 1 held approximately 73 percent of the total assets (\$771.6 million). Tier 1 received nearly 73 percent (\$48.2 million) of all new contributions in 2020. Ninety-three percent of unique participants are invested in target date funds. Mr. McNeeley questioned what part of the 93 percent of plan participants chose this fund versus being defaulted into it. Cammack will follow up with the Committee on this at a future meeting. Most of the target date series vintages ranked in the top quartile for averaged annualized returns for the 3-, 5-, and 10-year performance periods. As of December 31, 2020, Tier 2 held approximately 24 percent of total assets (\$259.2 million). Mr. Allen stated that Tier 2 received approximately 27 percent (\$17.6 million) of new contributions in 2020. Mr. Allen reviewed the self-directed brokerage option with the Committee. He stated that Tier 3 held approximately three percent of total assets (\$30.5 million) as of December 31, 2020. Mr. Allen stated that 418 unique participants were investing through the brokerage window as of year-end, versus 415 as of September 30, 2020.

Mr. Allen informed the Committee on the merger of Cammack into CAPTRUST. Mr. Colberg questioned if there will be changes to personnel or in the focus/direction of the team. Mr. Allen responded the current team will remain with no disruption to services or fees.

Ms. Burns provided the 2020 economic year in review and provided analysis of the investment options, noting initially that the S&P 500 was resilient. Technology was up 43.9 percent in 2020. Performance in the bond market was positive across all sectors of the fixed-income markets during the fourth quarter. Ms. Burns noted that the Voya Fixed Plus Account III had a crediting rate of 1.15% as of December 31, 2020. Ms. Burns advised that the Vanguard Federal Money Market Investor fund current yield is 0.1 percent.

Ms. Burns reviewed the investment analysis regarding American Funds Target Date Retirement fund series. This fund has done well due to using a “glide path within a glide path” approach and uses fixed income to help participants balance the dual goals of building and preserving wealth while effectively managing market and longevity risks. Mr. Colberg questioned if the near-dated funds did not perform

Commented [MJA(1)]: Check this

Commented [SJ(2R1)]: Agreed this is confusing. Not sure what year-to-date and current yield mean.

as well due to lower equity exposure to which Ms. Burns agreed. Ms. Burns stated the preservation of capital performance year-to-date versus the category was up 13.6 percent.

Commented [SJ(3)]: This should be clarified.

Ms. Burns discussed the Executive Order of November 12, 2020, which prohibits U.S. citizens from purchasing securities in Communist Chinese military companies. Ms. Burns reported that asset managers swiftly removed these securities from their funds. Mr. Colberg commented on the deadline to remove these securities. He also acknowledged Cammack's fast action regarding this situation.

Investment Performance on College Investment Plan – Cammack

Mr. Duffy reviewed year-to-date plan performance for the 529 plan. Total plan assets as of December 31, 2020 were approximately \$728.3 million, a \$34 million increase over 2019 (\$684.4 million). Approximately 73 percent of assets (\$533.9 million) are in the age-based option, with approximately 27 percent of assets (\$194.4 million) residing in static portfolios.

Mr. Duffy updated the Committee on the level of growth for the blend age-based option. This option holds \$5.2 million as of December 31, 2020, versus \$4.4 million at the end of 2019. Mr. Duffy stated that the active age-based category holds the majority of assets.

Commented [SJ(4)]: Is this correct?

Mr. Duffy noted that all age-based options and all age bands outperformed their benchmarks for the quarter. Mr. Duffy also noted that all age-based options have been repositioned within the moderate-high equity risk peer group. Mr. Duffy noted the addition of the EM Local Debt fund during the fourth quarter with an average allocation of less than 1 percent and was added as a diversifier for the portfolio.

Mr. Duffy reviewed the peer group analysis with the Committee. All age-based options outperformed for the 1-year period versus peers. Strong fourth quarter performance was due to slightly higher equity exposure. Mr. Colberg confirmed that the year-to-date performance was net of fees.

Finally, Mr. Duffy commented on the benchmark analysis, noting that equity drove performance late in the fourth quarter. The fourth quarter saw strong performance across all age-based options.

DISCUSSION AND ACTION ITEMS

2021 Committee Goals

Mr. Meyer reviewed the 2020 accomplishments and presented the 2021 Committee goals. The Committee's outlined goals include: the annual review of the investment policy statements for the deferred compensation and college plans; the deferred compensation and college recordkeeper RFPs; the deferred compensation target date fund provider review; the annual 529 interview with Morningstar; and Freedom of Information Act, Code of Conduct and fiduciary training. Mr. Colberg suggested adding a review of the Fidelity target date series funds. Mr. Biddle suggested a review of the qualified default investment alternative for the deferred compensation plans. Finally, Mr. Colberg suggested a review of ESG factors within the investment policy statement.

A MOTION was made by Ms. Davis and seconded by Mr. Biddle to recommend that the Board adopt the 2021 Committee goals with additions.

MOTION ADOPTED UNANIMOUSLY

2021 Education Schedule

Mr. Meyer highlighted the 2021 training schedule. Freedom of Information Act and Code of Conduct training will occur in the second quarter with fiduciary training scheduled for late 2021 or early 2022.

Recommendation Regarding Assignment of Investment Consultant Agreement

Mr. Colberg initiated conversation with the Committee regarding the Cammack and CAPTRUST partnership. This formality involves the assignment of the Cammack contract to CAPTRUST.

**A MOTION was made by Ms. Davis and seconded by Mr. Biddle to recommend that the Board approve the assignment of Cammack's Investment Consultant Agreement to CAPTRUST.
MOTION ADOPTED UNANIMOUSLY**

PUBLIC COMMENTS

No members of the public made a comment.

NEXT MEETING

The next meeting of the Board is scheduled for March 2, 2021.

The next meeting of the Committee is scheduled for May 18, 2021.

ADJOURNMENT

A MOTION was made by Mr. Colberg and seconded by Mr. McNeeley to adjourn the meeting at 11:38 a.m.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

Alan Colberg
Chair for the Investment Committee