



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

A meeting of the Investment Committee (the “Committee”) of the Plans Management Board (the “Board”) was held on November 16, 2021, commencing at 10:00 a.m., at the Office of State Treasurer (“OST”), Carvel State Building, 820 N. French Street, Wilmington, Delaware. Board members and 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, Department of Finance)

Mr. Todd Roselle

Members not in attendance:

Ms. Courtney Stewart, Deputy Director (on behalf of Secretary Cade, Director of the Office of Management and Budget)

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, OST

Mr. Mike Green, Investments and Operations Manager, OST

Mr. Dan Kimmel, Promotion and Outreach Manager, OST

Ms. Deborah Bradl, Executive Assistant, OST

Mr. Jordan Seemans, Director of Policy and Communications, OST

Mr. Earle Allen, Principal Financial Advisor, CAPTRUST

Mr. James Duffy, Research Associate, CAPTRUST

Mr. Roger Morrissette, Director, Retirement and Income Solutions, Fidelity Investments, Inc. (“Fidelity”)

Mr. Dan Terio, Vice President, Investment Product, Fidelity

Mr. Anthony Durkan, Head of 529 Relationship Management, Fidelity

Mr. Christopher Lewis, Institutional Portfolio Manager, Fidelity

Ms. Jean Negro, Journalist, Intelligence

Ms. Corrine Armann, Rebecca Kidner, P.A.

Ms. Erin Sajorda, S&P Global Inc.

## **CALL TO ORDER**

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

## **APPROVAL OF MINUTES**

The Committee discussed one revision to the draft minutes.

**A MOTION was made by Deputy Treasurer Davis and seconded by Mr. Roselle to approve the minutes from the Committee meeting on August 17, 2021 with revision.**

**MOTION ADOPTED UNANIMOUSLY**

## **PRESENTATIONS**

### *Investment Performance on Deferred Compensation Plans – CAPTRUST*

Mr. Allen reviewed the performance metrics for the three deferred compensation plans. As of September 30, 2021, assets in the plans totaled approximately \$1.16 billion, excluding assets held at legacy 403(b) vendors (valued at approximately \$312.1 million as of September 30, 2021), reflecting an increase of approximately \$97.9 million, a 9.2 percent change since December 31, 2020. Quarterly contributions were approximately \$20.2 million. 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 reviewed the different tiers of funds within the plans. As of September 30, 2021, Tier 1 held approximately 72 percent of total assets (\$834.1 million). Tier 1 received nearly 73 percent (\$14.7 million) of all new contributions in the third quarter of 2021. Ninety-three percent of unique participants are invested in Tier 1 target date funds. As of September 30, 2021, Tier 2 held approximately 25 percent of total assets (\$289.8 million). Mr. Allen stated that Tier 2 received approximately 27 percent (\$5.5 million) of new contributions in the third quarter of 2021. The Tier 3 self-directed brokerage option held approximately three percent of total assets (\$35.3 million) as of September 30, 2021. Mr. Allen stated that 433 unique participants were investing through the brokerage window at the end of the third quarter of 2021, versus 418 as of December 31, 2020.

Mr. Allen discussed investment highlights, noting that the Lazard International Equity R6 fund is being recommended to remain on watch due to continued underperformance versus the benchmark and category peer group. In the third quarter, the fund did outperform the index and category peer group. CAPTRUST will continue to monitor the fund's performance.

Mr. Duffy provided market commentary. Mr. Duffy stated that the third quarter saw mixed results due to concerns about sustainability of the economic reopening. Despite a rocky quarter, U.S. and international stocks, real estate and commodities remained positive. Also, bonds were still positive for the third quarter but were negative year-to-date due to an increase in yields from the third quarter. Emerging markets decreased while real estate continues to do well due to rising yields. Mr. Duffy stated that fixed income is optimistic for the 1-year and 10-year yields.

Mr. Duffy stated that the third quarter was mostly negative for both stocks and bonds due to uncertainty surrounding the delta variant, supply chain logistics and the direction of the Fed interest rate policy. During the third quarter, most gains came from the financial and technology sectors. Commodities saw the greatest growth at 6.6 percent while equities remained positive. Mr. Duffy stated that there is still uncertainty in the markets around inflation and its duration. He also stated supply chain disruptions

remain a top focus of the economy directly impacting consumers through increased prices, yet corporate revenues and profits are strong in Q3 due to consumer spending despite market volatility.

Mr. Duffy reviewed the investment analysis for the Lazard International Equity fund and noted poor performance in 2016-2017 versus the benchmark and peer group. He commented that the Board had placed this fund on Watch at the June meeting. Mr. Duffy reported that in Q3, Lazard outperformed the benchmark by three percent. The Committee commented on Lazard's length of underperformance and questioned their view of fundamental value in light of the industry's shift. CAPTRUST recommended that the fund remain on Watch.

Mr. Duffy discussed the target date series as a majority of assets are in this fund. Despite a negative Q3, the vintages performed well versus the benchmark and peers.

#### *Investment Performance on College Investment Plan – CAPTRUST*

Mr. Duffy reviewed third-quarter plan performance for the 529 plan. Total plan assets as of September 30, 2021 were approximately \$738.8 million, a \$4.6 million increase over year-end 2020 (\$734.2 million). Approximately 72 percent of assets (\$532.1 million) are in the age-based option, with approximately 28 percent of assets (\$206.7 million) residing in static portfolios.

Mr. Duffy updated the Committee on the level of growth for the blend age-based option. This option holds \$9.3 million as of September 30, 2021, versus \$6.9 million at the end of 2020. Mr. Duffy stated that the active age-based category holds the majority of assets.

Mr. Duffy noted that all age-based options and all age bands outperformed their benchmarks for the quarter. Mr. Duffy reported that the active age-based option outperformed in 88 percent of its age-bands for the 1-year versus peers and performed the best (on average) out of the plan's age-based options on an absolute basis.

Strong third quarter performance was due to strong equity performance. Both index age-based and blend age-based options outperformed versus their benchmarks. The third quarter of 2021 saw strong performance across all age-based options.

Mr. Duffy stated that non-US equity led the quarter with an average outperformance of 2.2 percent. Mr. Duffy updated the Committee on Fidelity's portfolio positioning review.

Mr. Duffy noted that the Plan's Morningstar rating will remain at Bronze primarily due to new the review process and that cost is now the focus of the rating system. Mr. Duffy stated that Fidelity will continue to share performance data with Morningstar to show the positive impact performance has on equity allocation.

## **DISCUSSION AND ACTION ITEMS**

### *Discussion and Vote on Investment Policy Statements*

Mr. Colberg led discussion with the Committee on the Investment Policy Statements for both the deferred compensation plans and the 529 education savings plan. He indicated that OST and the Committee reviewed the statements for the plans and noted that the Committee will be considering ESG modifications in Q1 of 2022.

*Discussion and Vote Regarding Status of Lazard International R6 Fund*

Mr. Colberg led the discussion regarding Lazard International R6. The Committee discussed the replacement options at a previous meeting. Mr. Colberg recommended leaving the fund on watch for at least one more quarter to monitor performance. No motion required.

*Discussion and Vote Regarding Addition of Stable Value Fund (529)*

Mr. Lewis discussed the benefit of adding a stable value fund to the 529 education savings plan. Mr. Lewis stated this is a fundamental capital preservation strategy offering the potential to outpace inflation. Mr. Lewis also discussed the growing participant preference for stable value products and noted that 22 percent of participants would choose this investment option. He stated that the stable value product is a three-year duration, high quality, fixed income portfolio with an accounting mechanism that is similar in function to a money market.

CAPTRUST recommended that the money market option be removed and replaced with the stable value option.

Mr. Terio reviewed the fee structure associated with the change to the stable value option and discussed the competing nature of the money market fund and stable value. Mr. Terio indicated that, if the change is approved at the next Board meeting, a communication will go to participants in February, with April 1, 2022 being the tentative launch date.

**A MOTION was made by Mr. Roselle and seconded by Deputy Treasurer Davis to propose to the Board the addition of the stable value fund and removal of the money market fund from the 529 education savings plan.**

**MOTION ADOPTED UNANIMOUSLY**

*Discussion and Vote Regarding 2022 Meeting Schedule*

Mr. Meyer presented the Committee with the 2022 meeting schedule. No motion required.

**PUBLIC COMMENTS**

No members of the public made a comment.

**NEXT MEETING**

The next meeting of the Board is scheduled for December 7, 2021.

The next meeting of the Committee is scheduled for February 15, 2022.

**ADJOURNMENT**

The meeting was adjourned by the Chair at 11:58 a.m.

Respectfully submitted,

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Alan Colberg  
Chair for the Investment Committee