



**MINUTES FROM THE MEETING OF THE
PLANS MANAGEMENT BOARD
December 7, 2021**

A meeting of the Plans Management Board (the "Board") was held on December 7, 2021, convening 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.

Board Members Represented or in Attendance:

Ms. Donna Vieira, Board Chair

Mr. Alan Colberg, Chair, Investment Committee ("IC")

Mr. Pete Kennedy, Chair, Audit and Governance Committee ("AGC")

The Honorable Colleen C. Davis, State Treasurer

The Honorable Trinidad Navarro, Insurance Commissioner

Mr. Richard Geisenberger, Secretary of Finance

Ms. Kimberly Klein, Associate Secretary, Operations Support, Department of Education
(on behalf of Ms. Susan Bunting, Secretary of Education)

Ms. Courtney Stewart, Deputy Director of the Office of Management and Budget ("OMB") (on behalf of Mr. Cerron Cade, Director of OMB)

Mr. Joel Coppadge, III, Public Member

Mr. Jason Hale, State Employee

Ms. Leighann Hinkle, State Employee

Others in Attendance:

Mr. Sean McNeeley, Director of Bond Finance

Mr. Jason Staib, Deputy Attorney General, Delaware Department of Justice

Ms. Liza Davis, Deputy State Treasurer, Office of the State Treasurer ("OST")

Mr. John Meyer, Director of Contributions and Plans Management, OST

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

Mr. Dan Kimmel, Promotion and Outreach Manager, OST

Mr. Mike Green, Investments and Operations Manager, OST

Ms. Deborah Bradl, Executive Assistant, OST

Ms. Christine Haas, Senior Policy Advisor, Delaware Department of Insurance

Mr. Earle Allen, Principal Financial Advisor, CAPTRUST

Mr. James Duffy, Senior Investment Analyst, CAPTRUST

Mr. Roger Morrisette, Director, Retirement and College Leadership, Fidelity Investments ("Fidelity")

Ms. Kellie Desrosiers, Vice President, Strategic Relationship Management, Voya

Ms. Sarala Katta, Regional Vice President, Mid-Atlantic Region, Voya

Mr. Doug Peters, Vice President, Mid-Atlantic Region, Voya

Mr. Mark Jackowitz, Senior Vice President, Voya
Mr. Mike Delauro, Consultant, Customer Experience Strategy, Voya
Ms. Corrine Armann, Office of Rebecca Kinder, P.A.
Mr. Joe Ebisa, Journalist, With.Intelligence

CALLED TO ORDER

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

APPROVAL OF MINUTES

A MOTION was made by Mr. Colberg and seconded by Mr. Kennedy to approve the minutes from the Board meeting on September 14, 2021.

MOTION ADOPTED UNANIMOUSLY

PRESENTATIONS

Quarterly Business Metric Report - Education Savings Plan

Mr. Meyer presented the 529 plan quarterly report on business metrics and plan information. New accounts were up by 6 percent for the third quarter, compared to the same quarter in 2020, while the industry was down 2 percent. Of the new accounts, 70 percent were opened by existing Fidelity customers versus 68 percent in the second quarter of 2021. Approximately 48 percent of new accounts were opened for children under the age of five. Mr. Meyer stated that there was a 15 percent increase in new accounts opened by Delaware residents in the third quarter versus the third quarter of 2020 while the industry was down 2 percent. The majority of assets within the plan are held for individuals who are either approaching 18 or older than 18. Mr. Meyer stated that total contributions for the quarter were up 7 percent over third quarter 2020, with new account contributions up 74 percent over the same period for 2020, outpacing the industry. Assets under management decreased 3.7 percent for the quarter (to \$739 million), trailing the industry. This is due to the age of the 529 plan and the fact that 73 percent of the assets in the plan are for beneficiaries who are age 14 and older, and whose savings are conservatively invested. Finally, distributions from the plan were up 21 percent.

Mr. Meyer stated that the Plan remained in the Bronze medal rating category.

Upcoming initiatives include adding a stable value investment product, exploring the 2022 Match incentive program and scholarship pilot, and exploring partnerships with three hospitals in the State to increase participation in the plan. Mr. Kimmel provided an update on a recent event at Delaware State University.

Quarterly Business Metric Report-ABLE Plan

Mr. Meyer presented the ABLE plan quarterly report on business metrics to the Board. The plan continues to experience stable growth. Currently there are 188 funded accounts with approximately \$1.8 million in assets as of November 1, 2021. In the third quarter of 2021, new accounts grew by 75 percent over the third quarter of 2020. Mr. Meyer stated that net contributions totaled approximately \$395.2 thousand in the third quarter of 2021.

Mr. Meyer indicated that the Alliance's recordkeeping procurement process remains ongoing. Mr. Meyer stated that upcoming initiatives include plan promotion at the Delaware Down Syndrome Association and implementation of enhancements to the online enrollment platform with Ascensus.

The Board asked what benchmarks could be utilized to improve or monitor the program. Mr. Meyer responded that OST would draft a strategy document for the ABLE Plan similar to the ones that have been prepared for the other plans.

Quarterly Business Metric Report - Deferred Compensation Plans

Mr. Meyer presented the quarterly summary on business metrics and plan information. Mr. Meyer stated that enrollment activity increased in the third quarter of 2021. There were 322 new enrollments, a 30 percent increase over the third quarter of 2020. Total third quarter 2021 contributions increased 14 percent from \$20.2 million over third quarter 2020 at approximately \$17.7 million. As of September 30, 2021, plan assets were approximately \$1.16 billion, not including 403(b) legacy vendor assets valued at approximately \$312.1 million. Mr. Meyer reviewed the beneficiary strategy stating there was an increase in responses of 18.2 percent with approximately 2,279 participants making beneficiary elections since Q2 2021. This increase was attributed to the email and direct mail campaigns, and face to face meetings with representatives.

Mr. Kimmel reviewed Plan consolidations with the Board. There were 199 consolidations for the quarter, totaling approximately \$7.9 million, compared to 164 consolidations, totaling approximately \$4.4 million, for the third quarter of 2020. He also stated that the myOrangeMoney modeling tool saw more than 3,100 interactions with 27 percent of participants taking an action. Mr. Kimmel also stated there were approximately 6,700 employee engagements through a combination of one-on-one appointments, phone calls and emails which is an increase of approximately 14 percent over the third quarter of 2020. Finally, Mr. Kimmel stated that in the third quarter there were approximately 9,800 unique personalized email messages sent with an average open rate of 70 percent.

Strategy Discussion Regarding Deferred Compensation Plans

Mr. Meyer led discussion regarding the deferred compensations plan strategy with the Board. Mr. Meyer shared goals and objectives, possible measurements, and strategies for the direction of the plans from 2022-2024. Mr. Meyer presented a strength, weakness, opportunities and threats analysis for the Board. Three objectives have been identified: (1) increase participation, (2) review investments, and (3) grow assets and enhance plan operations. The Board requested information on the demographic make-up of the 38 percent of state employees who participate and discussed a potential statutory change that would make deferred compensation available to casual/seasonal employees. Mr. Meyer concluded with a summary of growth opportunities and potential areas of improvement for the Plans. Mr. Coppadge suggested incorporating timeframes for the suggested goals and to identify benchmarks to measure progress.

COMMITTEE REPORTS, DISCUSSIONS AND ACTION ITEMS

Discussion and Vote Regarding Plan Audits

Mr. Meyer updated the Board as to the status of the 2020 Plan audit reports and financial statements, all of which are now final. Mr. Meyer noted that the AGC reviewed the reports and financial statements for the plans and is recommending that the Board accept them.

A MOTION was made by Mr. Kennedy and seconded by Treasurer Davis to accept the 2020 audit reports for the 457(b) Plan, 401(a) Plan, 403(b) Plan, and the 529 Plan.

MOTION ADOPTED UNANIMOUSLY

Discussion and Vote Regarding Legislation Concerning Auditor Selection

Mr. Meyer informed the Board that, by law, AOA has the sole responsibility for the selection of certified public accountants to conduct audits. The Board has no role or right to participate in the selection of the audit firm. The AGC discussed opportunities for the Board to have exclusive authority to select and contract with a certified public accounting firm or firms to conduct the audits. The Board discussed its unique role as a fiduciary for the plans and how that might differ from other state entities audited by firms selected solely by AOA. The Board supported researching best practices of fiduciary bodies when selecting an audit firm.

A MOTION was made by Mr. Navarro and seconded by Mr. Kennedy to direct OST to canvas other states for best practices when selecting audit firms and report back to the Board with draft legislation for review.

MOTION ADOPTED UNANIMOUSLY

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

Mr. Meyer stated that Fidelity is now planning to make available a new investment option for its 529 plan clients. Beginning in March 2022, Fidelity will offer a stable value fund investment that can be included in the 529 plan lineup as another static individual portfolio. CAPTRUST reviewed Fidelity's proposal and provided a summary memorandum to support the IC's recommendation to add the fund and remove the money market option. The Board discussed the transition of participant assets from the money market fund to the stable value fund.

A MOTION was made by Mr. Colberg and seconded by Ms. Vieira to approve the addition of the stable value fund and removal of the money market fund from the 529 Plan.

MOTION ADOPTED UNANIMOUSLY

[Kim Klein left the meeting]

Discussion and Vote Regarding 529 Program Manager Agreements

Mr. Meyer indicated that, at the June 2021 meeting, the Board, after a competitive procurement process, awarded Fidelity another five-year contract with three one-year extensions for the purpose of providing recordkeeping, investment management and administrative services for the State's college investment plan. OST, in consultation with CAPTRUST and the Deputy Attorney General, worked with Fidelity on the new contractual agreements for the program.

A MOTION was made by Ms. Vieira and seconded by Mr. Coppadge to approve the contractual agreements with Fidelity for the purpose of providing recordkeeping, investment management and administrative services for the 529 plan and delegate authority to OST to execute the contractual agreements pending final review by the Deputy Attorney General.

MOTION ADOPTED UNANIMOUSLY

Discussion and Vote Regarding the Defined Contribution Plan RFP

Mr. Meyer informed the Board that OST published the Request for Proposals for the deferred compensation plans on July 26, 2021. Three vendors submitted proposals to provide recordkeeping and administrative services. The three vendors were Voya Financial (incumbent), Empower Retirement, and AIG Retirement Services. The Evaluation Team, composed of members of OST and the Board, reviewed the proposals, and interviewed each of the three responding firms. Select members of the Evaluation Team and representatives of CAPTRUST held meetings with references provided by several of the

vendors. Responding firms were evaluated on experience, operational ability, the plan sponsor experience, participant communication and education, and pricing. The Evaluation Team discussed the strengths and weaknesses of each submission. CAPTRUST produced a summary memorandum of the evaluation process. After thoughtful due diligence, the Evaluation Committee was unanimous in recommending an award to Voya. The Evaluation Committee recommends that the Board issue an award to Voya for the purpose of providing recordkeeping and administrative services for the three plans within the deferred compensation program.

Mr. Meyer also noted that the current contract with Voya will need to be extended through June 30, 2022 to allow for a robust review of the new agreements.

A MOTION was made by Mr. Kennedy and seconded by Treasurer Davis to (1) make an award to Voya for the purpose of providing recordkeeping and administrative services for the three plans within the State's deferred compensation program, (2) authorize OST to extend the existing Voya contract until June 30, 2022, and (3) to delegate authority to OST to negotiate legal documents and, subject to review and approval by the Deputy Attorney General, execute the contract with Voya.

MOTION ADOPTED UNANIMOUSLY

Discussion and Vote Regarding ABLE Legislative Change

Mr. Meyer reviewed a recent draft amendment to Title 16 of the Delaware Code relating to the Delaware ABLE program. This amendment responds to the promulgation of final federal regulations. The federal regulations, among other things, resolved questions related to who may establish and exercise signature authority over an ABLE account. The final regulations clarify that an eligible individual with legal capacity may delegate signature authority to any other person and provide a hierarchy of persons who may establish or exercise signature authority over an ABLE account for an individual without legal capacity. The final regulations also clarify that expenses incurred at a time when a designated beneficiary is neither disabled nor blind are not qualified disability expenses.

Further, Mr. Meyer also stated that, in light of new federal Treasury regulations, ABLE programs were required to select whether successor beneficiaries would be limited to a sibling of the account owner expanded to include an ABLE-eligible individual who is not a sibling. The National ABLE alliance queried member states for a preferred option for their plan and requested a response by November 15, 2021. Due to the timing OST selected the latter option and is now seeking to have the Board ratify that selection, if appropriate. OST selected the non-sibling option to maximize account owners' control over the disposition of ABLE funds.

A MOTION was made by Ms. Vieira and seconded by Treasurer Davis to ratify OST's selection of the non-sibling option.

MOTION ADOPTED UNANIMOUSLY

Discussion Regarding 2021 Plan Budget

Mr. Meyer reviewed the 2021 plan administrative budget with the Board. The budget was approved by the Board at the March 2021 meeting. Through November 2021, the plans have operated within budget parameters. No Board action required.

Discussion Regarding 2022 Meeting Schedule

Mr. Meyer informed the Board of the 2022 meeting schedule for the Board and its committees. OST will circulate the meeting invites to members. No Board action required.

PUBLIC COMMENT

None

NEXT MEETING

The next meeting of the AGC is scheduled for February 8, 2022.

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

The next meeting of the Board is scheduled for March 1, 2022.

ADJOURNMENT

Ms. Vieira adjourned the meeting of the Board at 11:52 a.m.

Respectfully submitted,

Donna Vieira
Chair for the Plans Management Board