



**MINUTES FROM THE MEETING OF THE INVESTMENT
COMMITTEE OF THE PLANS MANAGEMENT BOARD
February 15, 2022**

A meeting of the Investment Committee (the "Committee") of the Plans Management Board (the "Board") was held on February 15, 2022, 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
Mr. Dan Madrid (on behalf of the Honorable Colleen C. Davis, State Treasurer)
Secretary Rick Geisenberger, Department of Finance
Mr. Todd Roselle

Members not in attendance:

Secretary Cade, Director of the Office of Management and Budget
Mr. David Biddle

Others in Attendance:

Mr. Sean McNeely, Director of Bond Finance, Department of Finance
Mr. Jason Staib, Deputy Attorney General, Delaware Department of Justice
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 Morrisette, Director, Retirement and Income Solutions, Fidelity Investments, Inc. ("Fidelity")
Ms. Heather Zakian, Institutional Portfolio Manager, Fidelity
Mr. Joe Ebisa, Journalist, With.Intelligence
Ms. Corrine Armann, Rebecca Kidner, P.A.

CALL TO ORDER

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

APPROVAL OF MINUTES

A MOTION was made by Mr. Roselle and seconded by Mr. Madrid to approve the minutes from the Committee meeting on November 16, 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 December 31, 2021, assets in the plans totaled approximately \$1.22 billion, excluding assets held at legacy 403(b) vendors (valued at approximately \$308.2 million as of December 31, 2021), reflecting an increase of approximately \$162.6 million, a 15.3 percent change since December 31, 2020. Quarterly contributions were approximately \$18.2 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 investment tiers within the plans. As of December 31, 2021, Tier 1 held approximately 72 percent of total assets (\$876.7 million). Tier 1 also received nearly 72 percent (\$13.2 million) of all new contributions in the fourth quarter of 2021. Ninety-three percent of participants are invested in Tier 1 target date funds.

As of December 31, 2021, Tier 2 held approximately 25 percent of total assets (\$309.1 million). Mr. Allen stated that Tier 2 received approximately 28 percent (\$5.0 million) of new contributions in the fourth quarter of 2021.

The Tier 3 self-directed brokerage option held approximately three percent of total assets (\$38.1 million) as of December 31, 2021. Mr. Allen stated that 427 unique participants were investing through the brokerage window at the end of the fourth quarter of 2021, versus 418 as of December 31, 2020.

Mr. Duffy provided market commentary. Mr. Duffy stated that the fourth quarter saw solid returns that benefitted from reopening trends. Despite a rocky quarter, U.S. large cap stocks and international stocks both posted returns. Real estate and commodities also provided positive returns due to growth in earnings. Bonds yields held steady for the fourth quarter and year-to-date despite inflation concerns. Mr. Duffy stated that the outlook for fixed income is optimistic for the 1-year and 10-year yields. Fixed income in 2021 saw the ten-year U.S. Treasury yields rise from 0.93 percent in 2020 to 1.52 percent. Finally, small cap growth did not see an increase in the fourth quarter, but small cap value increased 4.4 percent and small cap blend increased 2.1 percent.

Mr. Duffy led the discussion regarding the potential replacement of the Lazard International R6 Fund. Mr. Duffy gave a historical overview of the Lazard International R6 Fund. He then reviewed two possible replacement funds, T. Rowe Price Overseas Stock and American Funds EuroPacific Growth. The Committee discussed both potential replacement funds and stated that from a fiduciary and consumer standpoint, the T. Rowe Price Overseas Stock appeared to be a comparable replacement for the Lazard fund.

Investment Performance on College Investment Plan – CAPTRUST

Mr. Duffy reviewed fourth-quarter plan performance for the 529 plan. Total plan assets as of December 31, 2021, were approximately \$747.3 million, a \$13.1 million increase over year-end 2020 (\$734.2 million). Approximately 71 percent of assets (\$530.6 million) are in the age-based option, with approximately 29 percent of assets (\$216.7 million) residing in static portfolios. The quarter saw growth in the blended index options and static equity-based options.

Mr. Duffy updated the Committee on the level of growth for the blend age-based option. This option holds \$11.1 million as of December 31, 2021, versus \$6.9 million at the end of 2020. The majority of plan assets are in the active age-based category.

Mr. Duffy stated performance of the funds relative to the benchmark were strong in 2021 however, relative performance versus peers saw underperformance.

Mr. Duffy stated that market volatility is expected to continue in 2022 due to the impact of Covid, inflation and the uncertainty of interest rates.

DISCUSSION AND ACTION ITEMS

Discussion and Vote on Recommendation Regarding 2022 Committee Goals

Mr. Kimmel reviewed the 2021 accomplishments of the Board and presented the 2022 Committee goals. Mr. Kimmel highlighted the Committee's goals for the deferred compensation and 529 plans, which include a focus on enrollment growth and other key opportunities for plan development. Mr. Seemans spoke to the Committee on HB205 (Delaware EARNs), which is an auto-IRA secure choice program. The bill has bipartisan support in the Delaware legislature and is currently in the House Appropriations Committee.

A MOTION was made by Secretary Geisenberger and seconded by Mr. Madrid to recommend the 2022 Committee Goals to the Board for approval. MOTION ADOPTED UNANIMOUSLY.

Discussion and Vote Regarding Status of Lazard International R6 Fund

Mr. Colberg revisited the previous discussion regarding the Lazard International R6 fund. There were no additional comments or discussion.

A MOTION was made by Secretary Geisenberger and seconded by Mr. Colberg to terminate Lazard International R6 Fund and to replace it with T. Rowe Price Overseas Stock Fund 1. 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 1, 2022.

The next meeting of the Committee is scheduled for May 17, 2022.

ADJOURNMENT

The meeting was adjourned by the Chair at 11:40 a.m.

Respectfully submitted,

Alan Colberg
Chair for the Investment Committee