



**MINUTES FROM THE INVESTMENT SUBCOMMITTEE
OF THE CASH MANAGEMENT POLICY BOARD
AUGUST 1, 2018**

A meeting of the Investment Subcommittee (the “Subcommittee”) of the Cash Management Policy Board (the “Board”) was held on August 1, 2018, 10:00 a.m., in the main conference room of the Office of the State Treasurer (“OST”), located at 820 Silver Lake Blvd., Suite 100, Dover, Delaware.

Subcommittee Members Represented or in Attendance:

Mr. Dave Marvin, Subcommittee Chair (Telephonically)
Mr. Mike Karia, Subcommittee Co-Chair (Telephonically)
The Honorable Kenneth Simpler, State Treasurer (Telephonically)
Mr. John Flynn, Board Chair (Telephonically)

Subcommittee Members Not Represented or in Attendance:

Mr. Richard Geisenberger, Secretary, Department of Finance

Others in Attendance:

Mr. Jason Staib, Deputy Attorney General, Delaware Department of Justice
Ms. Nohora Gonzalez, Deputy State Treasurer, OST
Mr. Josh Berkow, Director of Debt and Cash Management, OST
Ms. Liza Druck, Policy Advisor, OST
Mr. John Krimmel, Partner, NEPC, LLC
Ms. Jennifer Appel, Senior Research Analyst, NEPC

CALLED TO ORDER

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

A MOTION was made by Mr. Marvin and seconded by Mr. Karia to approve minutes from the Subcommittee meeting on May 2, 2018.

MOTION ADOPTED UNANIMOUSLY

INVESTMENT ARCHITECTURE CONVERSION UPDATE

Investment Performance Update

Mr. Krimmel provided the Subcommittee with an overview of the State’s investment portfolio performance in light of the recent investment manager conversion. While all of the managers reached their target durations prior to fiscal year-end, credit quality repositioning may still occur.

The Subcommittee engaged in a discussion about market expectations in the coming months. The reserve portfolios are appropriately positioned for a rising rate environment, with duration averages near

the short end of the reserve mandates. Treasurer Simpler acknowledged that higher than anticipated revenues have led to a liquidity portfolio position that will likely exceed the new 25/75 target architecture during FY 2019 and he reminded the committee that the reserve portfolio will not be rebalanced under the new architecture.

Benchmark & New Reporting Package Items Discussion

Mr. Krimmel informed the Subcommittee of NEPC's intent to update the firm's quarterly reporting package to the Board. The new format will be condensed and will now include various indicators to help contextualize and monitor performance. The liquidity managers will have their portfolio balances monitored in relation to monthly target balances, which are based upon the cyclical trends in historical balances. The reserve managers will provide quarterly qualitative statements about how they expect to manage their portfolio throughout the subsequent quarter. Mr. Marvin added that he would like the reporting package to include a ten-year return index for the reserve and liquidity portfolios.

INVESTMENT ACCOUNTS UPDATE

Land and water account contract extension

Mr. Berkow provided the Subcommittee with an update on the extension of the land and water endowment manager contracts. The initial three-year term of each agreement expired in July. The State has exercised the first of two one-year extension options available under each contract.

ACTION ITEMS

No action items

EXECUTIVE SESSION

No executive session

PUBLIC COMMENTS

No members of the public present for comment.

NEXT MEETING

The next meeting is scheduled for November 7, 2018.

ADJOURNMENT

A MOTION was made by Mr. Kari and seconded by Mr. Marvin to adjourn the meeting of the Subcommittee at 10:25 a.m.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

Co-Chair for the Investment Subcommittee

David Marvin
Chair for the Investment Subcommittee

Mike Karia