



**MINUTES FROM THE INVESTMENT SUBCOMMITTEE  
OF THE CASH MANAGEMENT POLICY BOARD  
August 4, 2021**

A meeting of the Investment Subcommittee (the “Subcommittee”) of the Cash Management Policy Board (the “Board”) was held on August 4, 2021 at 10:00 a.m. in the Large Conference Room of the Office of the State Treasurer, 820 Silver Lake Blvd., Suite 100, Dover, DE 19904.

Subcommittee Members Represented or in Attendance:

Mr. John Flynn, Board Chair  
Mr. Dave Marvin, Subcommittee Chair  
The Honorable Colleen Davis, State Treasurer  
Mr. Rick Geisenberger, Secretary, Department of Finance

Subcommittee Members Not Represented or in Attendance

Mr. Mike Karia, Subcommittee Co-Chair

Others in Attendance:

Mr. Jason Staib, Deputy Attorney General, Delaware Department of Justice (“DDOJ”)  
Ms. Liza Davis, Deputy State Treasurer, Office of the State Treasurer (“OST”)  
Ms. Lisa Embert, Director of Reconciliations and Transaction Management, OST  
Ms. Fiah Kwesseu, Director of Operations & Fund Management, OST  
Mr. Jordan Seemans, Director of Policy and Communication Management, OST  
Mr. Sean McNeeley, Director of Bond Finance, Department of Finance  
Mr. Brennon Fountain, Controller II, OST  
Ms. Dawn Davis, Assistant Cash and Debt Manager, OST  
Mr. Stephen McVay, Assistant Cash and Debt Manager, OST  
Ms. Claudia Moses, Executive Assistant, OST  
Mr. John Krimmel, Partner, NEPC  
Ms. Valeria Cappucci, Executive Director, J.P. Morgan Chase

**CALLED TO ORDER**

The meeting was called to order at 10:01 a.m.

**INTRODUCTION**

**APPROVAL OF THE MINUTES**

**A MOTION was made by Mr. Flynn and seconded by Mr. Marvin to approve minutes from the Subcommittee meeting held on May 5, 2021.**

**MOTION ADOPTED UNANIMOUSLY**

## INVESTMENT CUSTODIAN RFP DISCUSSION AND VOTE

Ms. Kwesseu provided the terms of the investment custodian contract with Northern Trust. The length of the contract is five years plus three one-year extensions. Northern Trust has agreed to a flat fee of \$145K per annum for five years. OST plans to negotiate an umbrella and cyber security amount with the Department of Insurance. The State of Delaware will not indemnify.

**A MOTION was made by Mr. Flynn and seconded by Secretary Geisenberger to recommend that the Board grant OST authority to negotiate and execute a contract with Northern Trust.  
MOTION ADOPTED UNANIMOUSLY**

## PFM CONTRACT ASSIGNMENT DISCUSSION AND VOTE

Mr. Krimmel discussed the assignment of the PFM contract. On July 8<sup>th</sup>, PFM and US Bank Corporation (“US Bank”) announced that they had entered into an agreement for PFM Asset Management to be purchased by US Bank and operate as a subsidiary. On July 13<sup>th</sup>, NEPC and Mr. McVay had a discussion with PFM to better understand the impact of this acquisition. Mr. Krimmel reported that PFM will continue to operate as an independent subsidiary of US Bank, and that all key individuals on the account will stay on with PFM for at least two years. There should not be any degradation to services. In fact, per Mr. Krimmel, the acquisition by US Bank will strengthen some of PFM’s regulatory and compliance operations.

Mr. Marvin noted his previous experiences with US Bank, which he views as highly qualified.

**A MOTION was made by Mr. Flynn and seconded by Mr. Marvin to recommend that the Board approve the assignment.  
MOTION ADOPTED UNANIMOUSLY**

## INVESTMENT GUIDELINES CHANGE DISCUSSION AND VOTE

Mr. Krimmel presented the annual review of the investment guidelines. He discussed suggested changes submitted for consideration by the fixed-income managers. The most frequently cited suggestions were: (1) increasing the Rule 144A limits from 15% to 25%, (2) changing the rule for split ratings, and (3) revising agency, mortgage, and asset-backed securities definitions and limits.

*Rule 144A Limits.* NEPC recommended that the Rule 144A maximum investment limit for the liquidity accounts be increased to 25% from the current 15% level.

*Split Ratings.* NEPC believes that the current approach (utilizing the lowest rating) is appropriate.

*Agency, Mortgage, and Asset-Backed Securities.*

Agency Securities. NEPC believes that the 50% maximum and 20% individual-issuer limits for U.S. government agencies are appropriate. NEPC believes that the 25% maximum and 10% individual issuer limits are appropriate for foreign agency and supranational organizations. NEPC indicated that, if Canadian province issues meet the “insured as to principal and interest by the Canadian government” clause, they would be permissible under the guidelines. No changes recommended with respect to agency securities.

Mortgage-Backed Securities. NEPC believes that the current list of approved mortgage-backed security investments and maximum position limits are appropriate.

Asset-Backed Securities. NEPC believes that the current list of approved asset-backed security investments and maximum position limits are appropriate.

Mr. Flynn asked about the timeframe for implementing the guideline changes. Mr. Staib noted that liquidity managers could be authorized to utilize the new Rule 144A limits pending formal approval of the guidelines, which would take 60-90 days.

**A MOTION was made by Mr. Flynn and seconded by Treasurer Davis to recommend that the Board approve increase the Rule 144A limits from 15% to 25% for the liquidity accounts. MOTION ADOPTED UNANIMOUSLY**

### **CARES ACT FUND DISCUSSION**

Ms. Kwesseu provided an update with respect to CARES Act balances as of the end of the second quarter, 2021. PFM held \$76.7 million as of that date, and Wilmington Trust (“WTC”) held \$76.7 million. As of the end of the second quarter, the State held \$11.0 million of CARES Act funds for New Castle County. Of that amount, \$5.5 million was invested with PFM, and \$5.5 million was with WTC.

### **AMERICAN RESCUE PLAN ACT DISCUSSION**

Deputy Treasurer Davis provided an update on the State’s allocation under the American Rescue Plan Act (“ARPA”) and OST’s role in managing the disbursement of funds to the State’s non-entitlement units (“NEUs”).

Deputy Treasurer Davis indicated that the State received \$926 million of ARPA funds on May 28, 2021. The funds were allocated equally to both PFM and WTC and will be invested similarly to CARES Act funding. The State received on May 28, 2021 \$45 million of ARPA funding for distribution to NEUs. OST distributed the funds to all 55 NEUs within the 30-day deadline and did not request an extension from the U.S. Treasury. The other half of the NEU funds is estimated to be disbursed to the State no sooner than May 28, 2022. Lastly, the State received \$410 million in school recovery funds that will be distributed to school districts on a reimbursement basis.

Secretary Geisenberger, Treasurer Davis, and Ms. Kwesseu applauded the OST staff responsible for the timely distribution of ARPA funds to the NEUs, with special recognition of OST staff members Ms. Dawn Davis and Mr. Brennon Fountain. Because of their hard work, the State was one of only two states that did not need an extension of the U.S. Treasury’s 30-day disbursement deadline.

### **OTHER MATTERS OF THE SUBCOMMITTEE**

Secretary Geisenberger indicated that the Budget Reserve Fund balance is \$280 million, and that the Budget Stabilization Fund balance is \$287 million.

### **PUBLIC COMMENTS**

No members of the public present for comment.

**EXECUTIVE SESSION**

No executive session was held.

**NEXT MEETING**

The next full Board meeting is scheduled for August 25, 2021.

The next Subcommittee meeting is scheduled for November 3, 2021.

**ADJOURNMENT**

**A MOTION was made by Mr. Flynn and seconded by Treasurer Davis to adjourn the meeting at 10:48 a.m.**

**MOTION ADOPTED UNANIMOUSLY**

Respectfully submitted,

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David Marvin  
Chair for the Investment Subcommittee

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Mike Karia  
Co-Chair for the Investment Subcommittee

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