



**MINUTES FROM THE INVESTMENT SUBCOMMITTEE  
OF THE CASH MANAGEMENT POLICY BOARD  
August 5, 2020**

A meeting of the Investment Subcommittee (the “Subcommittee”) of the Cash Management Policy Board (the “Board”) was held on August 5, 2020 at 10:00 a.m. Pursuant to paragraph 5 of Governor Carney’s Emergency Order dated March 12, 2020 the meeting was held telephonically, without a physical location.

Subcommittee Members Represented or in Attendance:

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

Subcommittee Members Not Represented or in Attendance:

Others in Attendance:

Mr. Jason Staib, Deputy Attorney General, Delaware Department of Justice  
Mr. Daniel Madrid, Chief Operating Officer, Office of the State Treasurer (“OST”)  
Mr. Karl Kanefsky, Director of Communications, OST  
Ms. Dawn Davis, Assistant Cash and Debt Manager, OST  
Mr. Stephen McVay, Assistant Cash and Debt Manager, OST  
Mr. Sean McNeeley, Director of Bond Finance, Department of Finance  
Mr. John Krimmel, Partner, NEPC  
Ms. Jennifer Appel, Senior Research Analyst, NEPC

**CALLED TO ORDER**

Mr. Flynn called the meeting to order at 10:13 a.m.

**APPROVAL OF THE MINUTES**

**A MOTION was made by Secretary Geisenberger and seconded by Treasurer Davis to approve minutes from the special Subcommittee meeting on May 6, 2020.  
MOTION ADOPTED UNANIMOUSLY**

**ENDOWMENT MANAGER CONTRACTS DISCUSSION**

Mr. Krimmel advised the Subcommittee on the status of the endowment manager contracts. SEI's contract was completed and signed by the vendor. The contract is awaiting Treasurer Davis's review and signature. There is an issue with the Vanguard contract. The Deputy Attorney General advised that a follow-up call with Vanguard was needed to resolve the issue and acquire signatures.

## **INVESTMENT GUIDELINE CHANGE DISCUSSION AND VOTE**

The Deputy Treasurer, the Deputy Attorney General, and Mr. Krimmel conducted the annual review of the Cash Management Policy Board Investment Guidelines ("Guidelines") and recommended several changes to the Subcommittee. A few of the changes qualify as substantive and must be adopted pursuant to a formal process that includes a public notice and comment period. The following five changes to the Guidelines were presented: (1) define the term "Merchant Banks", (2) extend reserve account maturity restrictions by one month, (3) clarify that the lowest Nationally Recognized Statistical Rating Organizations ("NRSRO") rating controls, (4) clarify the deadline (close of business day following a downgrade) to remove purchases in violation of the Investment Guidelines and after a downgrade and (5) limit the mutual fund exception to the Investment Guidelines. Mr. Marvin gave historical background on the Guideline creation. There was discussion around the suggested frequency of reviewing the Guidelines.

**A MOTION was made by Mr. Karia and seconded by Mr. Marvin to recommend to the Board the approval of the five Investment Guideline changes.**

**MOTION ADOPTED UNANIMOUSLY**

## **CARES ACT FUND DISCUSSION**

Mr. Madrid provided the update for the CARES Act Fund. As of April 27, 2020, the State of Delaware has received approximately \$927MM from the CARES Act Fund. The funds were equally distributed between the liquidity managers, PFM and Wilmington Trust and invested in money market mutual funds. Four draws have been processed to date, totaling \$77MM and \$38k was earned in interest. The balance is approximately \$850MM. There was discussion around how the funds are used and OST's process to disburse the funds to State agencies.

Secretary Geisenberger reported that the Unemployment Trust Fund (\$165MM) is almost exhausted and the State will need to borrow from the federal government to make the next unemployment payment. The CARES Act Fund will be used to pay back the Unemployment Trust Fund and any other funds borrowed from the federal government. Some of the COVID related unemployment costs are refundable by FEMA up to 75%. The remaining 25% of the COVID related unemployment costs will be reimbursed by the CARES Act fund. The deadline to expend the funds has been extended to 90 days after the current State fiscal year, September 28, 2021.

## **INVESTMENT ADVISOR RFP FINALIST DISCUSSION AND VOTE**

[Mr. John Kimmel and Ms. Jennifer Appel (NEPC) left the call for the discussion of the investment advisor RFP.]

Mr. Madrid presented the evaluation committee's investment advisor RFP finalist. The evaluation committee selected NEPC because of public sector, fixed income clients experience and the firm's demonstrated record of and reputation for strong performance. There was discussion about the RFP scoring and finalist presentations. OST has reviewed NEPC's redline Professional Services Agreement ("PSA") and has no issue that would warrant returning to the Subcommittee or full Board for final approval of the PSA.

**A MOTION was made by Mr. Karia and seconded by Mr. Flynn to recommend that the Board grant OST authority to negotiate and execute a contract with RFP investment advisor finalist NEPC.**

**MOTION ADOPTED UNANIMOUSLY**

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

Secretary Geisenberger reported a drawdown of the Budget Stabilization Fund. Prior to COVID the balance was \$126.3 MM and \$63.2MM was transferred from the special fund to general funds to balance the budget. The current balance in the Budget Stabilization Fund is \$63.1MM.

#### **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 26, 2020.

The next Investment Subcommittee meeting is scheduled for November 4, 2020.

#### **ADJOURNMENT**

**A MOTION was made by Mr. Karia and seconded by Treasurer Davis to adjourn the meeting of the Subcommittee at 11:02 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