



**MINUTES FROM THE MEETING OF
THE CASH MANAGEMENT POLICY BOARD
December 4, 2019**

A meeting of the Cash Management Policy Board (“Board”) was held on December 4, 2019 at 10:00 a.m. in the DuPont room of Buena Vista, located at 661 S. DuPont Highway, New Castle, DE, 19720.

Board Members Represented or in Attendance:

Mr. John Flynn, Board Chair
Mr. Warren Engle, Banking Subcommittee Chair (Telephonically)
Mr. Mike Karia, Investment Subcommittee Co-Chair
Mr. David Marvin, Investment Subcommittee Co-Chair
Ms. Tarrie Miller, Board Member
The Honorable Colleen C. Davis, State Treasurer
Mr. Richard Geisenberger, Secretary, Department of Finance
Mr. Jeffrey Bullock, Secretary of State
Mr. Michael Morton, Controller General (Telephonically)

Board Members Not Represented or in Attendance:

Others in Attendance:

Mr. Jason Staib, Deputy Attorney General, Department of Justice
Ms. Liza Davis, Deputy State Treasurer, Office of the State Treasurer (“OST”)
Mr. Daniel Madrid, Director of Policy and Office Management, OST
Ms. Dawn Davis, Assistant Debt and Cash Manager, OST
Mr. Todd Feeley, Strategic Info Systems Project Manager, OST
Mr. John Krimmel, Partner, NEPC
Ms. Jennifer Appel, Senior Research Analyst, NEPC (Telephonically)

CALLED TO ORDER

Mr. Flynn called the meeting to order at 10:02 a.m.

INTRODUCTIONS

Ms. Davis introduced OST staff to the Board, Ms. Dawn Davis, Mr. Todd Feeley and Mr. Daniel Madrid.

APPROVAL OF MEETING MINUTES

A MOTION was made by Mr. Karia and seconded by Mr. Marvin to approve the minutes of the August 28, 2019 meeting.

MOTION ADOPTED UNANIMOUSLY

A request was made for the Board to receive the draft minutes within a week following the board meetings instead of two weeks before the next scheduled meeting.

NEPC PERFORMANCE REPORT

2019 3rd Quarter Investment Performance Report

Ms. Appel provided a brief update about the Fed and the status of capital markets. She described the trade wars and the downshift in global economic growth as the two primary drivers of market returns in 2019. The Fed cut rates three times during the year and no rate increases are anticipated for the remainder of the year. The Board discussed the managers' current positioning and ability to endure the current and anticipated rate environments.

Mr. Kimmel presented the Board with an overview of the State's portfolio performance for Q3 2019. The total portfolios returned 1.87% for the quarter and 5.22% YTD. The combined liquidity and reserve portfolios returned 1.30% for the quarter and 4.96% YTD. The liquidity portfolio returned 0.66% for the quarter and 2.37% YTD. The reserve portfolio returned 1.48% for the quarter and 6.49% YTD. The endowment portfolio returned 2.90% for the quarter and 13.22% YTD.

INVESTMENT SUBCOMMITTEE REPORT

Investment Guideline Change Update

Ms. Davis reported that the proposed Investment Guideline changes were posted to the October Registry and that no comments were received.

**A MOTION was made by Mr. Engle and seconded by Mr. Karia to approve the implementing order for the revised Investment Guidelines.
MOTION ADOPTED UNANIMOUSLY**

Investment Consultant Contract Extension

(Mr. Krimmel and Ms. Appel left the meeting for the discussion and vote.)

Ms. Davis stated that the first one-year extension of the investment consultant contract with NEPC will expire at the end of the year. Ms. Davis stated that OST has been very satisfied with NEPC's services and requested approval from the Board for OST to exercise the second and final one-year consultant contract extension.

**A MOTION was made by Mr. Engle and seconded by Treas. Davis to allow OST to exercise the second and final one-year extension of the NEPC consulting contract.
MOTION ADOPTED UNANIMOUSLY**

BANKING SUBCOMMITTEE REPORT

Stored Value Card Update

Mr. Feeley stated that two of the three programs have transitioned to the awarded vendor, US Bank. The third program is scheduled to convert beginning in January 2020. Total conversion to US Bank should be completed by the end of the first quarter 2020.

Current stored value card vendors were contacted and instructed to service the cards they have issued. OST will notify the vendors of the complete transition to US Bank.

JPMorgan General Banking Services Update

Mr. Feeley reported that OST and JP Morgan held meetings with agencies responsible for most of the State's collections and disbursements (Division of Revenue, Payroll, Department of Labor, Office of Pensions and Division of Accounting). JP Morgan will make recommendations for services to be utilized and develop an implementation plan. OST plans to transition the PNC disbursement accounts that interface with First State Financials (FSF) in 2020, followed by the Bank of New York Mellon electronic collection accounts. There was a discussion about what impact the banking services transition will have on the Division of Revenue's plan to migrate to a new revenue collections system over the next three years.

Local Bank Transition Update

Mr. Feeley reported that OST is negotiating the contract with M&T Bank. Negotiations with the remaining awarded vendors (Citizens, TD Bank and WSFS) are expected to be completed in the first quarter of 2020.

Banking Consultant Contract Extension

Ms. Davis provided an update on the banking consultant contract with PFM and the appropriations remaining under that contract. The original agreement expired in October 2018 and included two optional six-month extensions. Ms. Davis stated that both six-month extensions have been utilized and that OST recommends an additional six-month extension so that PFM can aid the JP Morgan transition, or additional banking analyses. Ms. Davis indicated PFM has signed the agreement for the additional six-month term, pending authorization from the Board.

A MOTION was made by Mr. Engle and seconded by Mr. Karia to grant OST the authority to extend the banking consultant contract with PFM for an additional six-month term.

MOTION ADOPTED UNANIMOUSLY

Merchant Services Consultant RFP Update

Ms. Davis reported that the merchant services consultant RFP was published on November 20, 2019. Vendors can respond through December 20, 2019.

Payment Card Industry (PCI) and Remediation Update

Mr. Madrid reported that new internal resources (new cyber-security expert, Francis Tormen and internal DTI director, Deanna Bledsoe) will allow OST to complete some of the work of remediation (e.g., website scans and repairing environments) without a formal assessment. The merchant services consultant RFP will incorporate language to include PCI assessment services and cover any gaps.

Mr. Madrid stated that a merchant services working group (OST, DTI, Accounting and OMB) convened in November 2019 to look at the legislative and regulatory framework for merchant services, which are not clearly defined in the Delaware Code.

OTHER MATTERS OF THE BOARD

Discussion and Vote on FY 2019 Annual Report

Ms. Davis presented the FY2019 Annual Report to the Board.

**A MOTION was made by Mr. Engle and seconded by Treas. Davis to approve the FY 2019 Annual Report and submit same to the General Assembly.
MOTION ADOPTED UNANIMOUSLY**

Discussion of 2020 Board Calendar

Ms. Davis presented the 2020 Board Meeting Calendar.

PUBLIC COMMENTS

No members of the public present for comment.

NEXT MEETING

The next meeting is scheduled for February 26, 2020.

ADJOURNMENT

A MOTION was made by Mr. Flynn and seconded by Secretary Geisenberger to adjourn the meeting at 11:13 a.m.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

John Flynn
Board Chair

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