



**MINUTES FROM THE MEETING OF
THE CASH MANAGEMENT POLICY BOARD
MAY 22, 2019**

A meeting of the Cash Management Policy Board (“Board”) was held on May 22, 2019 at 10:00 a.m. in the Dining Room at Buena Vista Conference Center 667 S DuPont Highway, New Castle, Delaware.

Board Members Represented or in Attendance:

Mr. John Flynn, Board Chair
Mr. Warren Engle, Board Member
Ms. Tarrie Miller, Board Member
Mr. David Marvin, Board Member
Mr. Mike Karia, Board Member
The Honorable Colleen Davis, State Treasurer
Mr. Richard Geisenberger, Secretary of Finance
Mr. Jeffrey Bullock, Secretary of State

Board Members Not Represented or in Attendance:

Mr. Michael Morton, Controller General

Others in Attendance:

Mr. Jason Staib, Deputy Attorney General
Mr. Josh Berkow, Director of Debt and Cash Management, Office of the State Treasurer (“OST”)
Ms. Liza Druck, Policy Advisor, OST (Telephonically)
Ms. Jennifer Appel, NEPC
Mr. Kevin Leonard, NEPC
Mr. John Krimmel, NEPC (Telephonically)

CALLED TO ORDER

Mr. Flynn called the meeting to order at 10:00 a.m.

Mr. Flynn introduced the newest member of the Board and Banking Subcommittee, Ms. Tarrie Miller.

APPROVAL OF MEETING MINUTES

A MOTION was made by Mr. Flynn and seconded by Mr. Karia to approve the minutes of the February 27, 2019 meeting.

MOTION ADOPTED UNANIMOUSLY

NEPC PERFORMANCE REPORT

2019 1st Quarter Investment Performance Report

Ms. Appel presented the Board with a review of the Fed Funds rate activity over the preceding six months. She reviewed a comparison of the Federal Reserve's expectation for rate increases over the next two years versus the market's expectation. Ms. Appel reviewed the Fed's balance sheet projections as well. She discussed the impact of market activity over the first quarter of 2019—equity markets and risk assets have performed well, while global government bond yields have declined, due to downgrades in economic growth and a diminished inflation outlook.

Ms. Appel and Mr. Leonard addressed Board member questions about balance sheets, negative interest rates, and the Fed's relative flexibility to confront an economic downturn. Mr. Marvin offered his thoughts on global bond markets and the impact of low interest rates on economic outlooks across the globe.

Mr. Leonard presented the Board with an overview of the State's portfolio performance for Q1 2019. The total liquidity and reserve portfolios returned 1.94% for the quarter. The liquidity portfolio returned 0.84% for the quarter. The reserve portfolio returned 2.31% for the quarter. The endowment portfolio returned 9.18% for the quarter.

Mr. Leonard and Mr. Krimmel addressed questions from the Board on the various endowment manager's allocation strategies and the impact on each manager's portfolio performance. Mr. Leonard and Mr. Krimmel concluded their portfolio update with a review of cash flows, yield and duration activity. Mr. Marvin discussed global currency values and the impact of potential policy changes at central banks globally.

INVESTMENT SUBCOMMITTEE REPORT

Endowment Manager Contract Extension

In 2018, the State's contracts with its endowment managers were extended for one year and are slated to expire in 2019 absent exercise of the second optional one-year period.

A MOTION was made by Mr. Marvin and seconded by Mr. Karia to recommend that OST exercise the second and final extension of the endowment manager contracts. Mr. Flynn seconded the motion.

MOTION ADOPTED UNANIMOUSLY

BANKING SUBCOMMITTEE REPORT

Stored Value Card Implementation

Mr. Berkow informed the Board that the U.S. Bank contract was signed and executed as of March. Project planning activities are underway to migrate the Department of Labor, Department of Health and Social Services, and the Department of Services for Children, Youth, and their Families, to the new provider. OST intends to have the programs converted by the end of calendar year 2019.

P-Card Contract Update

Mr. Berkow provided an update on the recently executed P-Card contract, which OST negotiated on behalf of the Division of Accounting. The new contract is with the same provider, JPMorgan, on new terms.

Banking Contract Update

Mr. Berkow presented an update on the final phase of negotiations for the banking contract with JPMorgan. The remaining details to be negotiated are immaterial. OST is requesting that the Board approve the contract details that have been finalized to date, and grant OST the authority to sign the contract when the remaining details have been negotiated. Mr. Berkow and Mr. Staib addressed questions from the Board about the remaining details that have yet to be finalized.

**A MOTION was made by Mr. Engle and seconded by Mr. Karia to allow OST to proceed with finalizing the Banking Contract.
MOTION ADOPTED UNANIMOUSLY**

Local Bank RFP Update

Mr. Berkow noted that four vendor responses were received for the Local Bank RFP. All four respondents were invited to make finalist presentations. The evaluation committee is currently reviewing feedback from the written proposals and presentations prior to formulating a recommendation. The committee intends to have a final recommendation for the Board's approval at the August Board meeting. Treasurer Davis prompted a discussion on the challenge of ensuring adequate RFP visibility and improving vendor response rates.

Merchant Services Project Update

Mr. Berkow updated the Board on the OST's engagement with Arrow Payments, an independent payment technology advisor. OST retained Arrow to analyze current payment systems and security across agencies, with the goal of recommending strategies for improvements. As a part of their initial findings, Arrow noted the State's need to remain in compliance with Payment Card Industry (PCI) standards. Additionally, Arrow noted the need to enhance Gateway services, which could include issuing a Gateway RFP. OST is currently working with State agencies to complete the annual PCI certification process.

OTHER MATTERS OF THE BOARD

Mr. Berkow informed the Board of OST's intention to batch any changes to the Investment Guidelines which accumulate throughout the fiscal year, into a single update at the conclusion of the fiscal year. This eliminates the need to initiate the lengthy Administrative Procedures Act ("APA") process more than once per year. OST will present the Board with a batch of changes accumulated in FY 2019, at the August meeting.

Treasurer Davis informed the Board of Dan Scholl's departure from the position of Deputy State Treasurer.

PUBLIC COMMENTS

No members of the public present for comment.

NEXT MEETING

The next meeting is scheduled for August 28, 2019.

ADJOURNMENT

A MOTION was made by Mr. Flynn and seconded by Treasurer Davis to adjourn the meeting at 11:17 a.m.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

John Flynn
Board Chair

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