



**MINUTES FROM THE INVESTMENT SUBCOMMITTEE
OF THE CASH MANAGEMENT POLICY BOARD
May 5, 2021**

A meeting of the Investment Subcommittee (the “Subcommittee”) of the Cash Management Policy Board (the “Board”) was held on May 5, 2021 at 10:00 a.m. Pursuant to Governor Carney’s Emergency Orders concerning COVID-19, the meeting was held telephonically, without a physical location.

Subcommittee Members Represented or in Attendance:

Mr. John Flynn, Board Chair
Mr. Dave Marvin, Subcommittee Chair
Mr. Mike Karia, Subcommittee Co-Chair
Mr. Rick Geisenberger, Secretary, Department of Finance

Subcommittee Members Not Represented or in Attendance

The Honorable Colleen Davis, State Treasurer

Others in Attendance:

Mr. Jason Staib, Deputy Attorney General, Delaware Department of Justice
Ms. Liza Davis, Deputy State Treasurer, Office of the State Treasurer (“OST”)
Mr. Daniel Madrid, Chief Operating Officer, OST
Ms. Lisa Embert, Director of Reconciliations and Transaction Management, OST
Ms. Fiah Kwesseu, Director of Operations & Fund Management, OST
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. Sean McNeeley, Director of Bond Finance, Department of Finance
Mr. John Krimmel, Partner, NEPC
Ms. Jenn Appel, NEPC
Mr. Kevin Leonard, Partner, NEPC

CALLED TO ORDER

The meeting was called to order at 10:02 a.m.

INTRODUCTION

APPROVAL OF THE MINUTES

A MOTION was made by Mr. Karia and seconded by Mr. Marvin to approve minutes from the Subcommittee meeting held on February 3, 2021.

MOTION ADOPTED UNANIMOUSLY

INVESTMENT CUSTODIAN RFP DISCUSSION

Ms. Kwesseu provided the status of the investment custodian contract with Northern Trust. The contract will expire on November 30, 2021. OST posted the RFP on April 9, 2021.

ENDOWMENT PORTFOLIO DISCUSSION AND POTENTIAL VOTE

Mr. Krimmel provided an endowment portfolio update. Mr. Krimmel presented SEI's proposal to add investments in private real estate, a permissible investment under the guidelines. The Subcommittee discussed liquidity, diversification and cost (increased fees) concerns.

The Subcommittee ended the discussion and did not vote on SEI's recommendation.

FIXED INCOME MANAGER MEMO DISCUSSION

Mr. Krimmel updated the Subcommittee on NEPC's recent meetings with liquidity and reserve managers, as presented in NEPC's memorandum. NEPC inquired about management and investment changes, the market views and portfolio positioning, and potential changes to the current guidelines and constraints.

CARES ACT FUND

Mr. Madrid provided an update with respect to CARES balances as of the end of the first quarter 2021. PFM Asset Management ("PFM") held \$135.7 million as of that date, and Wilmington Trust ("WTC") held \$136.0 million. As of the end of the first quarter, the State held \$20.7 million of CARES Act funds for New Castle County. Of that amount, \$10.3 million was invested with PFM, and \$10.4 million was with WTC.

ARPA DISCUSSION AND POTENTIAL VOTE

Mr. Seemans and Deputy Treasurer Davis provided updates on the American Rescue Plan Act ("ARPA") and OST's role in managing the State's allocation and disbursing funds to the State's non-entitlement metropolitan cities and towns.

Deputy Treasurer Davis presented OST's proposed management and investment strategy for the State's allocation, which mirrors the Board's approved strategy for CARES Act funds. The proposed strategy will (a) split the State's allocation between the two liquidity managers, (b) require the establishments of new accounts, and (c) require separate performance reporting.

A MOTION was made by Mr. Flynn and seconded by Mr. Marvin to recommend that the Board direct OST to carry out the proposed strategy for the management and investment of the State's ARPA funds.

MOTION ADOPTED UNANIMOUSLY

SCHOOL AND SPECIAL FUND RATE DISCUSSION AND VOTE

Deputy Treasurer Davis provided an update on the school and special fund (“SSF”) rate. OST periodically reviews the rate calculation. In 2018, the rate was set as the 12-month rolling average of the State’s liquidity portfolio, not to exceed the 12-month rolling average of the total portfolio. In light of current market conditions and the ongoing need to protect the general fund from negative arbitrage, OST does not recommend changing the rate for fiscal year 2022.

Secretary Geisenberger asked for additional information on school district funding under both ARPA and the Continuing Appropriations Act. Secretary Geisenberger asked OST to review school district funding and utilization in advance of the fall Subcommittee meeting.

A MOTION was made by Mr. Flynn and seconded by Mr. Marvin to recommend that the Board maintain the current SSF rate.

MOTION ADOPTED UNANIMOUSLY

OTHER MATTERS OF THE SUBCOMMITTEE

No other matters of the Subcommittee.

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 May 26, 2021.

The next Subcommittee meeting is scheduled for August 4, 2021.

ADJOURNMENT

Meeting was adjourned at 11:13 a.m.

Respectfully submitted,

David Marvin
Chair for the Investment Subcommittee

Mike Karia
Co-Chair for the Investment Subcommittee