



**MINUTES FROM THE INVESTMENT SUBCOMMITTEE  
OF THE CASH MANAGEMENT POLICY BOARD  
November 4, 2020**

A meeting of the Investment Subcommittee (the “Subcommittee”) of the Cash Management Policy Board (the “Board”) was held on November 4, 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  
The Honorable Colleen Davis, State Treasurer  
Mr. Rick Geisenberger, Secretary, Department of Finance

Subcommittee Members Not Represented or in Attendance:

Mr. John Flynn, Board Chair  
Mr. Mike Karia, Subcommittee Co-Chair

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 Reconciliation 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  
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**

The meeting was called to order at 10:03 a.m.

**APPROVAL OF THE MINUTES**

**A MOTION was made by Secretary Geisenberger and seconded by Treasurer Davis to approve minutes from the Subcommittee meeting held on August 5, 2020.  
MOTION ADOPTED UNANIMOUSLY**

## **ENDOWMENT MANAGER CONTRACTS DISCUSSION**

Ms. Kwesseu advised the Subcommittee on the status of the endowment manager contracts. The SEI and Vanguard contracts are fully executed, and contract summaries were provided for the Subcommittee. All assets have been moved to the new endowment managers.

## **INVESTMENT GUIDELINE CHANGE DISCUSSION**

Mr. Staib provided the status of the proposed investment guideline changes that were approved at the last full Board meeting. The guideline changes were posted in the October registry and no comments were received. OST will seek approval of the implementing order at the next full Board meeting and proceed with official promulgation of the revised guidelines.

### *Rule 144A Securities*

Mr. Krimmel informed the Subcommittee that, due to a Securities and Exchange Commission rule change, the State now qualifies as an institutional buyer (“QIB”) eligible to purchase private placement securities. When revised Rule 144A goes effective on December 8, 2020, liquidity and reserve managers will be permitted to purchase private placement securities that are readily marketable, as permitted in section 11.1.7 of the guidelines.

The Subcommittee discussed whether there should be limits on the amount of 144A securities allowed in the State’s liquidity and reserve portfolios. The Subcommittee will consider such limits officially when it next reviews the guidelines for changes. In the meantime, Mr. Krimmel will issue a memo to the liquidity and reserve managers setting a percentage maximum of 10 to 15 percent for private placement securities. Mr. Krimmel will list the Rule 144A investments as a separate line item on his reporting.

## **CARES ACT FUND DISCUSSION**

Mr. Madrid provided the update for the CARES Act Fund. The State has received approximately \$927 million of CARES Act funding. The funds were equally distributed between the liquidity managers, PFM and Wilmington Trust, and invested in money market mutual funds. Eleven draws totaling \$222 million were made between June and October 2020. The funds have earned approximately \$262,000 of interest to date. The remaining balance is approximately \$705 million. OMB anticipates a \$190 million draw this week for unemployment insurance claims.

New Castle County is set to reimburse \$136 million to the State for pandemic-related expenses paid on its behalf. To make that payment, the county will use CARES Act funds it received directly from the U.S. Treasury.

Secretary Geisenberger reported that, under current law, the CARES Act funds expire on December 30, 2020. The U.S. Treasury may allow a few extra months after the deadline to pay out expenditures incurred before December 30, 2020. The Secretary anticipates that, in addition to the anticipated \$190 million draw, another \$60 million to \$100 million of CARES Act funding will be needed in connection with unemployment insurance claims.

## **INVESTMENT ADVISOR CONTRACT DISCUSSION**

Ms. Kwesseu informed the Subcommittee that the NEPC contract will begin in January 2021, at \$215,000 per year, with annual adjustments built in for inflation. A contract summary was provided to the Subcommittee.

## **OTHER MATTERS OF THE SUBCOMMITTEE**

Mr. Krimmel updated the Subcommittee on CARES Act funding held in government money market funds at Northern Trust. Northern Trust has not been paying interest since mid-August because yields have been so low on short-term government securities. Funds earned on the investments have been used to pay the expenses of the fund. No interest credit is anticipated on government money market funds if interest rates do not increase.

The Subcommittee was asked to consider moving the money market funds from Northern Trust to the two liquidity managers (PFM and Wilmington Trust) to invest and earn a modest yield. Currently, the State is paying 10 basis points in fees to Northern Trust and 5 basis points to PFM and Wilmington Trust. A 3-5 basis point return could be generated over the next few months if the funds are moved to the liquidity managers. There was discussion around whether the managers should use existing liquidity guidelines, how accessible the funds would be and potential earnings over a short period of time. The liquidity managers have agreed to invest the funds and offered discounted asset management fees. Mr. Krimmel will work with Ms. Kwesseu and Mr. McVay to communicate the Subcommittee's decision to move the funds to the liquidity managers.

## **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 December 2, 2020.

The next Investment Subcommittee meeting is scheduled for February 3, 2021.

## **ADJOURNMENT**

**A MOTION was made by Mr. Marvin and seconded by Treasurer Davis to adjourn the meeting of the Subcommittee at 10:40 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