



**MINUTES FROM THE INVESTMENT SUBCOMMITTEE
OF THE CASH MANAGEMENT POLICY BOARD
NOVEMBER 1, 2017**

A meeting of the Investment Subcommittee (the “Subcommittee”) of the Cash Management Policy Board (“Board”) was held on November 1, 2017, 10:00 a.m., in the main conference room of the Office of the State Treasurer (“OST”), located at 820 Silver Lake Blvd., Suite 100, Dover, DE 19904.

Subcommittee Members Represented or in Attendance:

Mr. Dave Marvin, Subcommittee Chair
Mr. Mike Karia, Subcommittee Co-Chair
The Honorable Kenneth Simpler, State Treasurer
Ms. Stephanie Scola, Director of Bond Finance, Department of Finance (on behalf of Mr. Richard Geisenberger, Secretary, Department of Finance)

Subcommittee Members Not Represented or in Attendance:

Mr. John Flynn, Board Chair

Others in Attendance:

Mr. Jason Staib, Deputy Attorney General, Delaware Department of Justice
Mr. Stephen McVay, Cash Manager, OST
Ms. Susan Steward, Policy Advisor, OST
Mr. John Krimmel, Partner, NEPC, LLC
Mr. Ian Spencer, Research Consultant, NEPC, LLC

CALLED TO ORDER

Treasurer Simpler called the meeting to order at 10:01 a.m.

A MOTION was made by Mr. Karia and seconded by Mr. Marvin to approve minutes from the Subcommittee meeting on August 9, 2017.

MOTION ADOPTED UNANIMOUSLY

INVESTMENT MANAGER RFP

Mr. Krimmel discussed the proposed timeline set forth in the Investment Managers RFP issued in September. He indicated that the date for finalists presentations is being pushed back due to the significant volume of responses. Mr. Krimmel reported that the Evaluation Committee will meet on November 13, 2017 to identify the finalists who will be invited to make presentations in late-November and mid-December, 2017.

Treasurer Simpler noted that the number of finalist presentations could range from 12 to 15. Treasurer Simpler asked whether the Subcommittee members wish to be involved in the finalist presentations.

The Subcommittee indicated a desire to meet briefly with each finalist as selected by the Evaluation Committee.

PORTFOLIO VALUATION METHODS

A memo was distributed by Mr. McVay to the Subcommittee on the restatement of reports from Northern Trust, the State's custodian. The restatement was necessitated by a valuation error attributable to Northern Trust. Mr. Krimmel indicated that NEPC has reviewed and verified the restatements. Treasurer Simpler indicated that Northern Trust agreed to waive all fees from December 2016 through June of 2017 in response to the valuation issue.

OUTSIDE INVESTMENT ACCOUNTS UPDATE

Mr. McVay reported that OST was working with Laurel School District to close certain outside accounts and bring the funds into the State's financial accounting system.

Mr. McVay indicated that Smyrna School District maintains a scholarship fund in various retail brokerage accounts and has been contacted by OST to bring such accounts into compliance with the Board's Guidelines. Treasurer Simpler stated that he will be reaching out to district officials regarding the accounts. Mr. McVay noted that Smyrna School District is expected to receive a bequest of approximately \$400,000, which would increase the fund to over \$500,000.

Mr. McVay indicated that Woodbridge School District has a \$562,000 scholarship fund invested with the Delaware Community Foundation and managed by SEI Investments Company ("SEI"), an approved investment manager. The accounts are being managed as endowment accounts.

Treasurer Simpler queried the Subcommittee members on their general views on scholarship funds, noting that the Division of Accounting insists they are State funds. Treasurer Simpler indicated that the solution would be to treat them all as endowment accounts under the Board's investment guidelines.

The Subcommittee asked OST to work with the districts to better understand the funds, including whether the monies were bequeathed with restrictions that would prohibit comingling with other State funds. The Subcommittee agreed that, if the scholarship funds are "State" funds, the monies are subject to the Guidelines and will need to be managed by approved investment managers.

NEW BUSINESS

Global Investment Performance Standard ("GIPS") Compliance

Treasurer Simpler indicated that one current investment manager is not GIPS compliant. Mr. Marvin noted that GIPS compliance has become a concern within the investment world within the last ten years. Mr. Krimmel noted that GIPS compliance is a "best practice" generally and a minimum requirement in the institutional setting. Mr. Krimmel indicated that, if there are any managers currently not GIPS compliant, OST should develop a plan to bring such vendors into compliance. Mr. Krimmel noted that NEPC would be hesitant to recommend a prospective firm that is not GIPS compliant.

PUBLIC COMMENTS

No members of the public present for comment.

NEXT MEETING

The next meeting is scheduled for February 7, 2018.

ADJOURNMENT

A MOTION was made by Mr. Marvin and seconded by Mr. Karia to adjourn the meeting of the Subcommittee at 10:49 a.m.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David Marvin
Chair for the Investment Subcommittee

Mike Karia
Co-Chair for the Investment Subcommittee