



**MINUTES FROM THE MEETING OF THE INVESTMENT
COMMITTEE OF THE PLANS MANAGEMENT BOARD
May 16, 2023**

A virtual meeting of the Investment Committee (the “Committee”) of the Plans Management Board (the “Board”) was held on May 16, 2023, commencing at 10:00 a.m. Committee members and members of the public were able to participate using the provided dial-in information.

Committee Members Represented or in Attendance:

Mr. Alan Colberg, Committee Chair
The Honorable Colleen C. Davis, State Treasurer
Ms. Melissa Marlin, Economic Fiscal Senior Analyst (on behalf of Secretary Rick Geisenberger, Department of Finance)
Ms. Courtney Stewart, Deputy Director (on behalf of Secretary Cade, Office of Management and Budget)
Mr. Dave Biddle

Members Absent:

Mr. Todd Roselle

Others in Attendance:

Mr. Jordan Seemans, Deputy State Treasurer
Mr. Jason Staib, Deputy Attorney General, Delaware Department of Justice
Mr. John Meyer, Director of Contributions and Plans Management, Office of State Treasurer (“OST”)
Mr. Dan Kimmel, Promotion and Outreach Manager, OST
Ms. Deborah Bradl, Executive Assistant, OST
Mr. Earle Allen, Principal Financial Advisor, CAPTRUST
Mr. James Duffy, Research Associate, CAPTRUST
Ms. Marcia Peters, Senior Financial Advisor, CAPTRUST
Mr. Anthony Durkan, Vice-President, Head of 529 Relationship Management, Fidelity Investments, Inc. (“Fidelity”)
Mr. Daniel Terio, Vice President, Investment Product, Fidelity

CALL TO ORDER

The meeting was called to order at 10:00 a.m.

APPROVAL OF MINUTES

A MOTION was made by Mr. Colberg and seconded by Mr. Biddle to approve the minutes from the Committee meeting on February 14, 2023.

MOTION ADOPTED UNANIMOUSLY

PRESENTATIONS

Investment Performance on College Investment Plan – CAPTRUST

Mr. Duffy reviewed first quarter plan performance for the 529 plan. Mr. Duffy stated overall it was a strong quarter and total plan assets as of March 31, 2023, were approximately \$632.9 million, a decrease of approximately \$767.1 million over year-end 2022 (\$1.4 billion). Approximately sixty-nine percent of assets (\$438 million) are in the age-based options, with approximately 31 percent of assets (\$195.2 million) residing in static portfolios or individual funds.

Mr. Duffy updated the Committee on the level of growth for the blend age-based option. This option holds \$14.7 million as of March 31, 2023, versus \$12.7 million at the end of 2022. The majority of plan assets are in the active age-based category.

Mr. Duffy stated that performance of the funds relative to the benchmark was positive while relative performance versus peers outperformed the benchmark.

Investment Performance on Deferred Compensation Plans – CAPTRUST

Mr. Allen reviewed the performance metrics for the three deferred compensation plans. As of March 31, 2023, assets in the plans totaled approximately \$1.09 billion, excluding assets held at legacy 403(b) vendors (valued at approximately \$238.8 million as of March 31, 2023), representing an increase of approximately \$52.2 million or five percent for the quarter. Quarterly contributions were approximately \$17.3 million. Mr. Allen indicated that the average weighted expense ratio of the funds was 0.30 percent, which is .06 percent less than the average NAGDCA survey result of similar sized plans.

Mr. Allen reviewed the different investment tiers within the plans. As of March 31, 2023, Tier 1 held approximately 70 percent of total assets (\$769.5 million). Tier 1 also received nearly 69 percent (\$12 million) of all new contributions in the first quarter of 2023. Ninety-two percent of participants are invested in Tier 1 target date funds.

As of March 31, 2023, Tier 2 held approximately 27 percent of total assets (\$290.6 million). Mr. Allen stated that Tier 2 received approximately 31 percent (\$5.3 million) of new contributions in the first quarter of 2023.

The Tier 3 self-directed brokerage option held approximately three percent of total assets (\$34.8 million) as of March 31, 2023. Mr. Allen stated that 497 unique participants were investing through the brokerage window at the end of the first quarter of 2023, versus 494 as of December 31, 2022.

Mr. Allen covered the investment highlights with the Committee. He reminded the Committee of the discussion from the previous meeting regarding the replacement of the T. Rowe Price Blue Chip Growth I fund with the JP Morgan Large Cap Growth R6 Fund, which will be effective May 22, 2023.

Ms. Peters provided market commentary to the Committee. Ms. Peters stated that the first quarter saw modest gains across all asset classes, excluding commodities which saw a decline. Stocks climbed in the first half of the quarter while bond yields saw a slight increase. U.S. large cap stocks outperformed small cap stocks and growth outperformed value due to modest but steady gains in non-US International

stocks. Ms. Peters stated that the outlook for fixed income continues to be optimistic for the 1-year and 10-year yields. Fixed income in the first quarter of 2023 saw the ten-year U.S. Treasury yields decline from 4.71 percent in 2022 to 4.62 percent in 2023. Finally, small cap growth remained steady in the first quarter (6.1 percent) and small cap value decreased by 0.7 percent.

Ms. Peters reviewed the economic outlook with the Committee stating that financial markets have held up despite an inflation rate of approximately five percent.

DISCUSSION AND ACTION ITEMS

Discussion Regarding Small Balance IRA Provider

Mr. Allen led discussion on the small balance IRA provider with the Committee. He noted that the Board previously approved a plan amendment permitting small balance cash outs for balances under \$5,000 owned by participants who leave state employment. Mr. Allen stated that if no action is taken by the participant the balance will be transitioned to an IRA. Mr. Allen presented two options for IRA providers - Voya and Millennium Trust. The Committee discussed various concerns, such as notification of the change and choice of investment options within in the IRA. The Committee agreed to revisit the recommendation at the third quarter meeting and requested more information from CAPTRUST. No motion needed.

Discussion Regarding Watch List

Mr. Meyer led the discussion regarding the watch list with the Committee. He stated that CAPTRUST recommended the Committee consider adding PIMCO Total Return Institutional. to the watch list due to performance issues and leadership change. Discussion followed, and the Committee agreed to continue to monitor the fund and consider a watch list recommendation at the third quarter meeting. No motion needed.

Discussion Regarding Managed Account and Self-Directed Brokerage Service Providers

Mr. Meyer informed the Committee that the Investment Policy Statement for the plans requires a review of Voya's third-party managed account service providers (Morningstar and TD Ameritrade). Mr. Allen reviewed a memo from CAPTRUST with the Committee and indicated that both providers are suitable and credible. Mr. Allen proceeded to cover the upcoming branding change from TD Ameritrade to Charles Schwab as result of Schwab's recent acquisition of TD Ameritrade. CAPTRUST agreed to bring information to the Committee regarding cryptocurrency funds, break up of the offerings, and information on managed accounts.

Discussion Regarding Managed Account Service Consent Agreement

Mr. Meyer discussed the managed account service consent agreement with the Committee. He stated the consent request reflects VOYA's request that its affiliate Voya Retirement Advisers ("VRA") provide investment advisory services and act as fiduciary in lieu of Morningstar Investment Management LLC. Morningstar will act as an independent financial expert to VRA with respect to the services. The underlying methodology for the investment advice provided to participants concerning Tier 2 allocations will be provided by Morningstar. A response is due by June 16, 2023. Mr. Meyer will work with the Deputy Attorney General to obtain additional information for this consent. Mr. Meyer suggested, and the Committee agreed, to table a vote on the consent agreement in lieu of the Committee consulting with the Board to recommend acceptance of the consent agreement upon approval by the deputy attorney general. No motion needed.

Discussion Regarding SECURE Act 2.0

Mr. Meyer updated the Committee regarding SECURE Act 2.0. He stated that Ice Miller recommended waiting for additional guidance on the mandatory changes. Mr. Meyer noted that the contribution file delivery frequency for the 457 Plan had changed and now matches the delivery schedule of the 403(b) plan.

Legislative Updates

Mr. Meyer reviewed recent legislation with the Committee. HB 130 allows casual seasonal state employees to contribute to the 457 (b) plan. HB 130 passed the House and is now in the Senate for a vote. SB 94 will allow the match program to return at \$20 per pay with adjustments made to account for inflation. SB 94 is currently under review.

PUBLIC COMMENT

No members of the public made a comment.

NEXT MEETING

The next meeting of the Board is scheduled for June 6, 2023.

The next meeting of the Committee is scheduled for August 15, 2023.

ADJOURNMENT

The meeting was adjourned by the Chair at 12:08 p.m.

Respectfully submitted,

Alan Colberg
Chair for the Investment Committee