



**MINUTES FROM THE MEETING OF THE INVESTMENT  
COMMITTEE OF THE PLANS MANAGEMENT BOARD  
August 15, 2023**

A virtual meeting of the Investment Committee (the “Committee”) of the Plans Management Board (the “Board”) was held on August 15, 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:

The Honorable Colleen C. Davis, State Treasurer  
Ms. Melissa Marlin, Economic Fiscal Senior Analyst (on behalf of Secretary Rick Geisenberger, Department of Finance)  
Ms. Carla Cassell-Carter, Director of Budget Development and Planning (on behalf of Secretary Cade, Office of Management and Budget)  
Mr. Dave Biddle  
Mr. Todd Roselle

Members Absent:

Mr. Alan Colberg, Committee Chair

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  
Mr. Anthony Durkan, Vice-President, Head of 529 Relationship Management, Fidelity Investments, Inc. (“Fidelity”)  
Ms. Layne Finnerty, Lead Relationship Manager, Capital Group  
Mr. John Doyle, Senior Retirement Strategist, Capital Group

**CALL TO ORDER**

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

Mr. Dave Biddle joined the meeting at 10:08 a.m.

## **APPROVAL OF MINUTES**

**A MOTION was made by Mr. Biddle and seconded by Treasurer Davis to approve the minutes from the Committee meeting on May 16, 2023.**

**MOTION ADOPTED UNANIMOUSLY**

## **PRESENTATIONS**

### *Investment Performance on Deferred Compensation Plans – CAPTRUST*

Mr. Allen reviewed the performance metrics for the three deferred compensation plans. As of June 30, 2023, assets in the plans totaled approximately \$1.15 billion, excluding assets held at legacy 403(b) vendors (valued at approximately \$245.2 million as of June 30, 2023), representing an increase of approximately \$106.5 million or ten percent for the quarter. Quarterly contributions were approximately \$20.1 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 June 30, 2023, Tier 1 held approximately 70 percent of total assets (\$800.2 million). Tier 1 also received nearly 69 percent (\$13.9 million) of all new contributions in the second quarter of 2023. Ninety-two percent of participants are invested in Tier 1 target date funds.

As of June 30, 2023, Tier 2 held approximately 27 percent of total assets (\$311.7 million). Mr. Allen stated that Tier 2 received approximately 31 percent (\$6.2 million) of new contributions in the second quarter of 2023.

The Tier 3 self-directed brokerage option held approximately three percent of total assets (\$37.2 million) as of June 30, 2023. Mr. Allen stated that 496 unique participants were investing through the brokerage window at the end of the second 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 on May 22, 2023. He also stated that CAPTRUST continues to recommend PIMCO Total Return Instl. be placed on Watch.

Mr. Allen provided industry updates with the Committee. He stated Congress is correcting technical errors in the draft legislation for SECURE Act 2.0 as well possibly delaying the January 1, 2024, implementation date for the Roth Catch-Up Contribution to ensure a smooth transition. Finally, Mr. Allen stated there no longer is a required minimum distribution for Roth account assets as of January 1, 2024.

Mr. Duffy provided market commentary to the Committee. Mr. Duffy stated that the second quarter saw modest gains across all asset classes, excluding commodities and U.S. Bonds which saw a decline. Stocks climbed in the second 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. Mr. Duffy stated that the outlook for fixed income continues to be optimistic for the 1-year and 10-year yields. Fixed income in the second quarter of 2023 saw the ten-year U.S. Treasury yields increase from 3.02 percent in 2022 to 3.84 percent in 2023. Finally, small cap growth

decreased in the second quarter (7.1 percent v. 13.6 percent) and small cap value increased by 0.7 percent.

Mr. Duffy reviewed the economic outlook with the Committee stating that financial markets have held up despite an inflation rate of approximately two percent, higher interest rates and higher debt burdens.

#### *Target Date Fund Overview- Capital Group*

Ms. Finnerty provided an overview of Capital Group for the Committee. She stated as of June 30, 2023, Capital Group had \$2.4 trillion assets under management of which \$1.9 trillion are in equities. Ms. Finnerty stated two areas of growth for Capital Group have been fixed income and the multi-asset class. Capital Group has generated more wealth for participants relative to their peers. Further, Ms. Finnerty stated Capital Group's target date strategy has \$266 billion in net inflows. One leadership change will take place in October 2023; however, no organizational changes will occur.

Mr. Doyle presented the target date fund overview. He stated that multiple managers manage the funds in the target date fund series. The goal is to build and preserve wealth. Capital Group has an objective-based glide path that is aligned to participant goals. Mr. Doyle stated that target date funds are meant to be a retirement income vehicle. He stated that the underlying funds are meant to be flexible to adapt to changing market conditions. Mr. Doyle stated that American Funds Target Date Retirement Series historically has a greater 10-year upside capture and downside protection versus peers and is where most of the excess return is coming from. Mr. Doyle stated long term results are within the top percentile, top decile across the board for 5-year, 10-year, and lifetime. Finally, Mr. Doyle discussed the ESG factors Capital Group considers as part of their ongoing investment analysis to assist individual investors in the target date funds.

#### *Investment Performance on College Investment Plan – CAPTRUST*

Mr. Duffy reviewed second quarter plan performance for the 529 plan. Mr. Duffy stated overall it was a strong quarter and total plan assets as of June 30, 2023, were approximately \$650.4 million. Approximately sixty-eight percent of assets (\$437.9 million) are in the age-based options, with approximately 32 percent of assets (\$207.2 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 \$16.1 million as of June 30, 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.

## **ACTION ITEMS AND UPDATES**

### *Discussion and Vote 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 Fund 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 fourth quarter meeting. No motion needed.

*Discussion and Vote Regarding Small Balance IRA Provider*

Mr. Meyer 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 soon to include balances under \$7,000 who leave state employment. Mr. Allen reviewed three potential options for the automatic IRA rollovers. The Committee requested a revised report on each option regarding the services and operations provided. Mr. Allen will update the Committee at the next meeting.

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. OST continues to monitor SECURE Act 2.0 provisions with CAPTRUST and Ice Miller.

*Legislative Updates*

Mr. Meyer reviewed recent legislation with the Committee. HB 130 passed to allow casual seasonal state employees to contribute to the 457 (b) plan, effective January 1, 2024. This aligns with the 403(b) Plan. The Governor signed the bill August 9, 2023.

**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 November 14, 2023.

**ADJOURNMENT**

The meeting was adjourned at 11:57 a.m.

Respectfully submitted,

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Alan Colberg  
Chair for the Investment Committee