



**MINUTES FROM THE MEETING OF THE INVESTMENT  
COMMITTEE OF THE PLANS MANAGEMENT BOARD  
November 14, 2023**

A virtual meeting of the Investment Committee (the “Committee”) of the Plans Management Board (the “Board”) was held on November 14, 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

Mr. Jordan Seemans, Deputy State Treasurer (on behalf of The Honorable Colleen C. Davis, State Treasurer)

Secretary Rick Geisenberger, Department of Finance

Ms. Michaele Smith, Chief of Financial Management Services, Budget Development and Planning (on behalf of Director Cade, Office of Management and Budget)

Members Absent:

Mr. Todd Rosselle

Mr. Dave Biddle

Others in Attendance:

Mr. Jason Staib, Deputy Attorney General, Delaware Department of Justice

Mr. John Meyer, Director of Contributions and Plans Management, Office of the State Treasurer (“OST”)

Mr. Brian Maxwell, Director of Policy and Communications, 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”)

Mr. Robert Scoglietti, Deputy Controller General, Legislative Hall

**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 Secretary Geisenberger to approve the minutes from the Committee meeting on August 15, 2023, with corrections.**

**MOTION PASSED with three votes for with Mr. Seemans in abstention.**

## **PRESENTATIONS**

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

Mr. Allen reviewed the performance metrics for the three deferred compensation plans. As of September 30, 2023, assets in the plans totaled approximately \$1.12 billion, excluding assets held at legacy 403(b) vendors (valued at approximately \$232.7 million as of September 30, 2023), representing an increase of approximately \$73.2 million or seven percent for the quarter. Quarterly contributions were approximately \$18.7 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 September 30, 2023, Tier 1 held approximately 70 percent of total assets (\$775.4 million). Tier 1 also received nearly seventy percent (\$13.1 million) of all new contributions in the third quarter of 2023. Ninety-two percent of participants are invested in Tier 1 target date funds.

As of September 30, 2023, Tier 2 held approximately 27 percent of total assets (\$304.5 million). Mr. Allen stated that Tier 2 received approximately thirty percent (\$5.6 million) of new contributions in the third quarter of 2023.

The Tier 3 self-directed brokerage option held approximately three percent of total assets (\$35.8 million) as of September 30, 2023. Mr. Allen stated that 491 unique participants were investing through the brokerage window at the end of the third quarter of 2023, versus 494 as of December 31, 2022.

Mr. Allen covered the investment highlights with the Committee. He stated no fund recommendations are being made for consideration by the Committee at this time. He also stated that CAPTRUST will continue conversations regarding PIMCO Total Return Instl.

Mr. Allen provided industry updates with the Committee regarding SECURE Act 2.0. He reminded the Committee of the January 1, 2024, implementation date for the Roth Catch-Up Contribution for those participants over 50 and earning more than \$145,000. Mr. Allen stated the mandate for the Roth Catch-Up Contribution will now take effect January 1, 2026, a two-year delay. Mr. Allen also reviewed small balance force-outs. He stated the small balance force-out increases efficiency within the plan and enables the record-keeper to provide cost savings through lower prices to participants due to reduced recordkeeping costs and audit expenses. Finally, Mr. Allen addressed auto-portability. He stated that participants will be able to port money from one employer's plan to another ensuring continued financial growth.

Mr. Duffy provided market commentary to the Committee. Mr. Duffy stated that the third quarter saw losses across all asset classes, excluding commodities. Stocks fell in the third quarter as did bond yields. U.S. large cap stocks outperformed small cap stocks and growth outperformed value due to 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 third quarter of 2023 saw the ten-year U.S. Treasury yields increase from 3.83 percent in 2022 to 4.59 percent in 2023. Finally, Mr. Duffy stated that value outperformed growth for the third quarter in the large cap space, with small cap growth decreasing in the third quarter (7.3 percent v. 9.6 percent) and small cap value decreasing by 4.8 percent.

Mr. Duffy reviewed the economic outlook with the Committee stating that financial markets have held up despite an inflation rate impacting the cost of goods, higher interest rates and higher debt burdens, the latter of which led to a downgrade of the US economy. Lastly, Mr. Duffy stated the economy is seeing conflicting signals due to a disconnect between the Fed's view of the economy versus the consumer's view.

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

Mr. Duffy reviewed third quarter plan performance for the 529 plan. Mr. Duffy stated overall the plan saw a slight decrease in assets quarter over quarter due to the market's negative performance. He stated total plan assets as of September 30, 2023, were approximately \$612 million. Approximately sixty-eight percent of assets (\$415.4 million) are in the age-based options, with approximately thirty-two percent of assets (\$196.6 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 \$16.5 million as of September 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 there continues to be an increase in both blend and index-based options, with blend age-based holding three percent of total assets.

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 does not recommend that the Committee add PIMCO Total Return Institutional Fund to the watch list and will continue to monitor performance and impact of leadership changes. 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 who leave state employment. Mr. Allen reviewed three potential options for the automatic IRA rollovers from a previous meeting. Mr. Allen updated the Committee regarding auto-portability as a developing concept and service. Mr. Allen stated that networks are being developed to handle rollovers within in the industry and efforts under way to increase the number of plan sponsors and recordkeepers within the networks. Mr. Meyer asked what the next steps would be for the Board if they want to increase the cap to \$7,000 and what action the Board would need to take to implement auto-portability. Mr. Allen confirmed the need for plan amendments. The Committee next discussed the fees and investment options of the rollover providers. The Committee expressed the desire to use the incumbent vendor to minimize participant confusion and keep IRA fees low.

A MOTION was made by Secretary Geisenberger and seconded by Mr. Seemans to recommend to the Board to allow OST to negotiate the handling of small balance force outs with Voya.

**MOTION PASSED UNANIMOUSLY**

#### *Discussion and Vote on Deferred Compensation Investment Policy Statement*

Mr. Meyer discussed the need for the annual periodic review of the Deferred Compensation Investment Policy Statement. The document was circulated for review and comments. Committee members reviewed the statement and do not recommend any updates at this time. The Committee also discussed the Education Savings Plan Investment Policy Statement. No changes are needed at this time. No motion needed.

*Discussion Regarding Self-Directed Brokerage Accounts*

Mr. Meyer informed the Committee that OST is awaiting information from Voya regarding the self-directed brokerage account window. This information should be available for the Committee at the first quarter 2024 meeting. Discussion followed on the number of unique accounts in the self-directed brokerage window, payable fees, the investments held in the self-directed brokerage window, and the percent of assets that are participant directed into these accounts. Mr. Meyer will bring updated information to the Committee at the next meeting.

*Discussion on 2024 Plans Management Board and Committee Meeting Schedule*

OST will circulate the 2024 Board and Committee meeting schedule to the Committee.

*Legislative Updates*

Mr. Seemans reviewed recent legislation with the Committee. HB 145 that was passed by the legislature regarding the tax deduction for the 529 and ABLER accounts is seeing benefits. Mr. Seemans stated participation in the ABLER accounts has increased a result of the new tax incentive. He also mentioned that HB 130 passed this year and allows casual seasonal state employees to contribute to the 457 (b) plan, effective January 1, 2025. Finally, Mr. Seemans noted that SB 94, which would reinstate the state match at approximately \$20 per pay period per state employee, was introduced in the past general assembly. It has strong support from its sponsors and is included in the budgetary request for fiscal year 2025.

Mr. Maxwell stated that OST will be meeting with representatives of the Auditors Office to discuss the propose to authorize the Board to select audit firms.

**PUBLIC COMMENT**

No members of the public made a comment.

**NEXT MEETING**

The next meeting of the Board is scheduled for December 5, 2023.

The next meeting of the Committee is scheduled for February 13, 2024.

**ADJOURNMENT**

The meeting was adjourned at 11:43 a.m.

Respectfully submitted,

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Alan Colberg  
Chair for the Investment Committee