



**MINUTES FROM THE MEETING OF THE INVESTMENT
COMMITTEE OF THE PLANS MANAGEMENT BOARD
February 13, 2024**

A virtual meeting of the Investment Committee (the “Committee”) of the Plans Management Board (the “Board”) was held on February 13, 2024, 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

Mr. Todd Rosselle

Mr. Dave Biddle

Members Absent:

Mr. Cerron Cade, Director Office of Management and Budget

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. 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. Corrine Armann, Rebecca Kidner, P.A.

CALL TO ORDER

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

APPROVAL OF MINUTES

A MOTION was made by Mr. Biddle and seconded by Mr. Rosselle to approve the minutes from the Committee meeting on November 14, 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 December 31, 2023, assets in the plans totaled approximately \$1.23 billion, excluding assets held at legacy 403(b) vendors (valued at approximately \$247.9 million as of December 31, 2023), representing an increase of approximately \$184.6 million or 17.8 percent for the quarter. Quarterly contributions were approximately \$19.5 million. Mr. Allen indicated that the average weighted expense ratio of the funds remained at 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 December 31, 2023, Tier 1 held approximately 70 percent of total assets (\$853.7 million). Tier 1 also received nearly seventy percent (\$13.7 million) of all new contributions in the fourth quarter of 2023. Ninety-one percent of participants are invested in Tier 1 target date funds.

As of December 31, 2023, Tier 2 held approximately 27 percent of total assets (\$334.2 million). Mr. Allen stated that Tier 2 received approximately thirty percent (\$5.8 million) of new contributions in the fourth quarter of 2023.

The Tier 3 self-directed brokerage option held approximately three percent of total assets (\$39.3 million) as of December 31, 2023. Mr. Allen stated that 495 unique participants were investing through the brokerage window at the end of the fourth 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 PIMCO Total Return Institutional Fund has continued to improve.

Mr. Allen provided industry updates with the Committee regarding the SECURE Act 2.0. He stated most plan provisions are optional and related to financial wellness such as having emergency savings accounts, student loan debt and automatic portability.

Mr. Duffy provided market commentary to the Committee. Mr. Duffy stated that the fourth quarter yields saw significant gains across all asset classes, primarily due to the expectation of future interest rate cuts. Stocks rose in the fourth 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 fourth quarter of 2023 saw the ten-year U.S. Treasury yields increase from 3.21 percent in 2022 to 3.88 percent in 2023. Finally, Mr. Duffy stated that large cap growth stocks outperformed and small cap value stocks outperformed in the fourth quarter.

Mr. Duffy reviewed the economic outlook with the Committee stating that the market was volatile in the fourth quarter. Financial markets have held up despite an inflation rate impacting the cost of goods, higher interest rates and higher debt burdens. Mr. Duffy stated investor optimism is centered around wage inflation, real estate rates, and productivity field growth, especially for artificial intelligence. Lastly, Mr. Duffy stated the economy saw conflicting signals due to a disconnect between the Fed's view of the economy versus the consumer's view in the fourth quarter.

Investment Performance on College Investment Plan – CAPTRUST

Mr. Duffy reviewed fourth quarter plan performance for the 529 plan. Mr. Duffy stated overall the plan saw a slight increase in assets quarter over quarter due to an increase in assets in the age-based option. He stated total plan assets as of December 31, 2023, were approximately \$651 million. Approximately sixty-seven percent of assets (\$436.7 million) are in the age-based options, with approximately thirty-three percent of assets (\$214.4 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 \$20 million as of December 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 there continues to be an increase in both the blend and index-based options, with blend age-based holding three percent of total assets. Fidelity's annual peer group rankings reflect the upgrade of the Delaware plan moving from bronze to silver.

Mr. Duffy stated that performance of the funds relative to the benchmark was strong in the fourth quarter while relative performance versus peers outperformed the benchmark.

ACTION ITEMS AND UPDATES

Discussion and Vote on Recommendation Regarding 2024 Committee Goals

Mr. Meyer discussed the Committee goals for 2024. The goals consist of quarterly performance reviews, the investment advisor agreement and RFP, SECURE Act 2.0 updates, review of the managed account service provider and self-directed brokerage providers, legislative items, an outstanding item on the investment strategy for the college administrative fund, review of the target date fund provider, and the review of the investment policy statements.

A motion was made by Mr. Colberg and seconded by Mr. Rosselle to recommend the 2024 Committee goals to the Board for approval.

MOTION ADOPTED UNANIMOUSLY

Update Regarding Small Balance Provider IRA

Mr. Meyer led discussion on the small balance IRA provider with the Committee. He noted that the Committee previously recommended to the Board to use Voya for the processing of involuntary force outs for account balances between \$1,000 and \$5,000 for participants who leave state employment. The Board approved the recommendation at the December 2023 meeting. Mr. Meyer stated that OST, Voya and CAPTRUST are reviewing a draft agreement for this process. No motion needed.

Update Regarding Self-Directed Brokerage Accounts

Mr. Meyer reviewed the process for investments held in the self-directed brokerage window and the percent of assets that are participant directed into these accounts. Mr. Meyer stated that participants can move one hundred percent of their assets into the brokerage window. Mr. Meyer stated that if participants are working with an outside advisor, OST may request Voya to provide participants with education regarding the process and specifically regarding fees. No motion needed.

Discussion and Vote on Recommendation Regarding Contract Extension for Investment Consultant and Approval to Proceed with RFP

Mr. Meyer reminded the Committee that the investment consultant agreement was initially signed in 2020. In 2023, the Committee recommended that the Board exercise the first of two one-year contract extensions. The final one-year contract extension is due to occur from April 1, 2024, through April 1, 2025. OST is asking the Committee to recommend that the Board exercise the final one-year contract extension and to direct OST to proceed with publishing an RFP for investment consulting services.

A MOTION was made by Mr. Colberg and seconded by Secretary Geisenberger to recommend that the Board exercise the final one-year contract extension for investment consultant contract and direct OST to publish an RFP for investment consulting services.

MOTION ADOPTED UNANIMOUSLY

Legislative Updates

Mr. Meyer reviewed potential legislation with the Committee. Currently, OST is pursuing legislation that would allow the Board to select the outside audit firm to perform the plan audits. Mr. Meyer also 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. OST continues to support the legislation. An update on potential legislation will be provided at a future meeting.

PUBLIC COMMENT

No members of the public made a comment.

NEXT MEETING

The next meeting of the Committee is scheduled for May 14, 2024.

The next meeting of the Board is scheduled for March 5, 2024.

ADJOURNMENT

The meeting was adjourned at 11:10 a.m.

Respectfully submitted,

Alan Colberg
Chair for the Investment Committee