



**MINUTES FROM THE MEETING OF THE
PLANS MANAGEMENT BOARD
June 8, 2021**

A meeting of the Plans Management Board (the “Board”) was held on June 8, 2021, convening at 10:00 a.m. Pursuant to Governor Carney’s Emergency Orders relating to the Covid-19 pandemic, the meeting was held telephonically, without a physical location. Members of the public were able to participate using the provided dial-in information.

Board Members Represented or in Attendance:

Ms. Donna Vieira, Board Chair
Mr. Alan Colberg, Chair, Investment Committee (“IC”)
Mr. Pete Kennedy, Chair, Audit and Governance Committee (“AGC”)
The Honorable Colleen C. Davis, State Treasurer
Mr. Stuart Snyder, Chief of Staff (on behalf of The Honorable Trinidad Navarro, Insurance Commissioner)
Mr. Sean McNeeley, Director of Bond Finance (on behalf of Mr. Richard Geisenberger, Secretary of Finance)
Ms. Susan Bunting, Secretary of Education
Ms. Courtney Stewart, Deputy Director of the Office of Management and Budget (on behalf of Mr. Cerron Cade, Director of the Office of Management and Budget)
Mr. Joel Coppadge, III, Public Member
Mr. Gerald Gallagher, State Employee

Board Members Not Represented or in Attendance:

Ms. Leighann Hinkle, State Employee

Others in Attendance:

Ms. Kimberly Klein, Associate Secretary, Operations Support, Department of Education
Mr. David Biddle, Committee Member
Mr. John Macedo, Committee Member
Mr. Jason Staib, Deputy Attorney General, Delaware Department of Justice
Ms. Liza Davis, Deputy State Treasurer, Office of the State Treasurer (“OST”)
Mr. John Meyer, Director of Contributions and Plans Management, OST
Mr. Dan Madrid, Chief Operating Officer, OST
Mr. Jordan Seemans, Director of Policy & Communications, OST
Mr. Dan Kimmel, Promotion and Outreach Manager, OST
Mr. Mike Green, Investments and Operations Manager, OST
Ms. Deborah Bradl, Executive Assistant, OST
Mr. Earle Allen, Principal Financial Advisor, CAPTRUST

Mr. James Duffy, Senior Investment Analyst, CAPTRUST
Mr. Roger Morrisette, Director, Retirement and College Leadership, Fidelity Investments
Ms. Sarala Katta, Regional Vice President, Mid-Atlantic Region, Voya
Mr. Doug Peters, Vice President, Mid-Atlantic Region, Voya
Mr. Mark Jackowitz, Senior Vice President, Voya
Ms. Christine Haas, Senior Policy Advisor, Delaware Department of Insurance
Ms. Deborah Moreau, Esq., Public Integrity Commission, Commission Counsel
Ms. Vivian Tsai, Head of Relationship Management, TIAA-CREF Tuition Financing
Mr. Christopher Lynch, President, TIAA-CREF Tuition Financing
Mr. Christopher Cyr, Vice-President of Business Development, Ascensus

CALLED TO ORDER

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

APPROVAL OF MINUTES

A MOTION was made by Ms. Vieira and seconded by Mr. Biddle to approve the minutes from the Board meeting on March 2, 2021.

MOTION ADOPTED UNANIMOUSLY

PRESENTATIONS

Ethics in Government Training- Public Integrity Commission

Ms. Moreau provided training on the State's Code of Conduct.

Quarterly Business Report - Deferred Compensation Plans

Mr. Meyer presented the quarterly summary on business metrics and plan information. Mr. Meyer stated that enrollment activity was significant for the first quarter of 2021. There were 368 new enrollments, a 13 percent increase over the first quarter of 2020. The increase in enrollments was driven in part by email blasts to employees. Total first quarter 2021 contributions into the Plan increased 7 percent over first quarter 2020 to \$18.6 million. Plan assets were approximately \$1.1 billion, not including 403(b) legacy vendor assets, which are valued at approximately \$307.6 million as of March 31, 2021.

Upcoming initiatives include two direct-mail campaigns by Voya. The campaigns will be focused on increasing enrollments into the plans and encouraging participants to designate beneficiaries. Mr. Meyer also noted that the RFP for the deferred compensation record keeper will be published in the near future.

Mr. Coppadge commented on the increased enrollments and asked if there was a key demographic that was contributing to the growth. Mr. Peters stated that Voya will research the matter and report back to the Board.

Quarterly Business Report - College Investment Plan

Mr. Meyer presented the 529 plan quarterly report on business metrics and plan information. New accounts were up by 39 percent for the first quarter, compared to the same quarter in 2020, outpacing the industry which was up 20 percent. Of the new accounts, 71 percent were opened by existing Fidelity customers versus 69 percent in the fourth quarter of 2020. Approximately 45 percent of new accounts were opened for children under the age of five. Mr. Meyer stated that there was a 46 percent increase in new accounts opened by Delaware residents in the first quarter versus the first quarter of 2020, outpacing

the industry, which was up 20 percent. The majority of assets within the plan are held for individuals who are either approaching 18 or older than 18. Mr. Meyer stated that total contributions for the quarter were up 26 percent over first quarter 2020, with new account contributions up 35 percent over the same period for 2020. Assets under management increased one percent for the quarter (to \$734 million), trailing the industry, which increased 4 percent during the same period. This is due to the age of the Delaware 529 plan and the fact that 75 percent of the assets in the plan are for beneficiaries who are age 14 and older. Finally, distributions from the plan were up 18 percent.

Upcoming initiatives include promotion of the plan at various local events, including the Delaware State Fair, the Delaware Museum of Natural History and Winterthur Museum. In addition, OST is exploring partnerships with hospitals and the three largest employers in the state to increase participation in the plan.

Board Resource Website Demonstration

Mr. Meyer demonstrated the newly redesigned Board resource website. The site is designed to consolidate current and historical information for the Board and its committees into one location. A link to the resource page will be distributed to all Board members.

Uses of 529 Administrative Fees - Match and Foster Youth Scholarship Programs

Mr. Meyer provided a summary of past discussions regarding 529 incentive concepts. Mr. Kimmel presented an updated 529 match incentive program. He shared some match program data from fifteen states. Of those, five states require a means test, and ten target their match plan towards babies. Mr. Kimmel recommended that the Board consider a match incentive program that would focus on beneficiaries less than five years of age and start as a pilot program 2022.

Mr. Seemans followed with a presentation regarding a potential needs-based scholarship program for foster care youth. Mr. Seemans indicated that the program, if approved, could start as a limited pilot project for several years, with annual awards limited to 10 scholarships of \$1,000 each. Mr. Seemans will address the proposal in more detail at the September 2021 Board meeting.

COMMITTEE REPORTS, DISCUSSIONS AND ACTION ITEMS

Governance Manual and Resolution 2021-01

Mr. Meyer updated the Board on the development of the Governance Manual and Resolution 2021-01. The AGC reviewed the draft Governance Manual and related resolution at the May committee meeting. The AGC also discussed reducing the minimum number of committee members from five to four members. The AGC recommended that the Board approve the Governance Manual and Resolution 2021-01.

A MOTION was made by Mr. Kennedy and seconded by Mr. Coppadge to approve the Governance Manual and Resolution 2021-01.

MOTION ADOPTED UNANIMOUSLY

Discussion and Action Regarding Lazard International Equity R6 Fund

Mr. Colberg discussed the IC recommendation to put Lazard International Equity R6 Fund on watch. The IC and CAPTRUST have been monitoring the performance of the fund due to underperformance relative to the benchmark and category peer group. Mr. Coppadge asked about the criteria being used to

determine whether a fund should be placed on watch. Mr. Colberg referred Mr. Coppadge to the investment policy statement.

**A MOTION was made by Mr. Colberg and seconded by Mr. Kennedy to approve placing Lazard International Equity R6 Fund on watch.
MOTION ADOPTED UNANIMOUSLY**

Discussion and Action Regarding the College Investment Plan RFP

Mr. Meyer provided the Board an update and a recommendation regarding the 529 plan RFP. Four vendors submitted proposals. The evaluation team reviewed the proposals and interviewed each of the four responding firms. Representatives from CAPTRUST served as outside advisors and participated in the meetings. Select members of the evaluation team and representatives of CAPTRUST held meetings with references and reported back to the full evaluation team.

Firms were evaluated on experience and reputation, investment management experience, demonstrated ability to administer 529 or benefit plans, demonstrated ability to provide a positive customer experience, and pricing.

The evaluation team was unanimous in recommending an award to Fidelity. The evaluation team recommends that the Board issue an award to Fidelity for another five-year contract with three one-year extensions for the purpose of providing recordkeeping, investment management and administrative services for the 529 plan.

The Board inquired about goals regarding asset growth. Mr. Meyer discussed the Fidelity customer base cross-sell opportunity and Fidelity's inability to market Delaware as a national plan. Mr. Meyer stressed that future growth is expected to come from Delaware residents. The Board will look more closely at strategies for the 529 plan during the September meeting.

[Secretary Bunting left the meeting.]

**A MOTION was made by Ms. Vieira and seconded by Mr. Colberg to award Fidelity a five-year contract with three one-year extensions for the purpose of providing recordkeeping, investment management and administrative services for the State's 529 plan.
MOTION ADOPTED UNANIMOUSLY**

Policy and Legislative Outlooks for 2021

Mr. Seemans provided a legislative update to the Board. He discussed H.B. 145, which is a tax deduction bill for 529 and ABLE account holders. OST is working with Department of Finance to address concerns related to means testing. Mr. Seemans also reviewed H.B. 205, the Delaware EARNs Act. The act will create a State-facilitated retirement plan for those who do not have an employer-offered retirement plan. Currently 150,000 Delawareans do not have access to an employer-sponsored retirement plan.

ABLE Report

Mr. Madrid presented the ABLE report. Mr. Madrid stated that there are 142 funded accounts with \$1.5 million in assets as of June 2021. He further stated that new accounts grew by 28 percent in the first quarter versus the first quarter of 2020. Mr. Madrid stated that contributions grew 16 percent in the first quarter of 2021 compared to the first quarter 2020 with distributions increasing by 9 percent over the

first quarter of 2020. Mr. Madrid stated that OST will participate in the Life Conference in September 2021 and has a new promotional video under development. Mr. Madrid indicated that the National Alliance is awaiting the outcome of the recordkeeper RFP, and that ABLE will be part of the strategic discussion at the next Board meeting in September.

PUBLIC COMMENT

Mr. Cyr and Ms. Tsai thanked OST for the opportunity to submit a proposal for the 529 plan RFP.

NEXT MEETING

The next meeting of the AGC is scheduled for August 10, 2021.

The next meeting of the IC is scheduled for August 17, 2021.

The next meeting of the Board is scheduled for September 14, 2021.

ADJOURNMENT

Ms. Vieira adjourned the meeting of the Board at 11:55 a.m.

Respectfully submitted,

Donna Vieira
Chair for the Plans Management Board