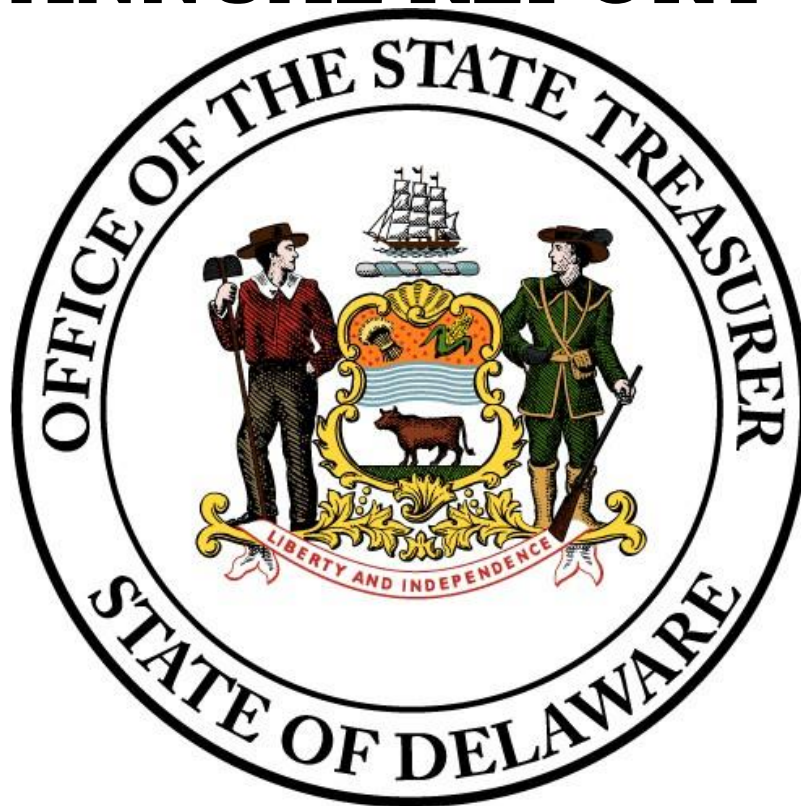


Cash Management Policy Board
ANNUAL REPORT

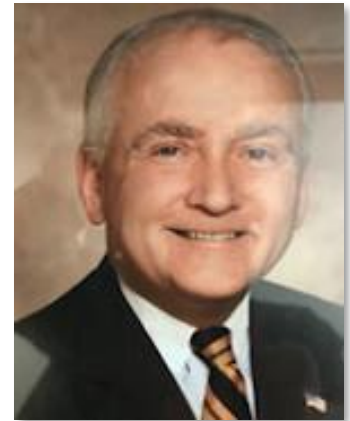


Fiscal Year 2024
July 1, 2023 – June 30, 2024

MESSAGE FROM THE CHAIR

December 2024

I am grateful and honored to work alongside talented, energetic, and enthusiastic Subcommittee Chairs, Vice Chairs, and Board members. We continue to remain steadfast in our approach and commitment to fiscal stewardship, operational excellence, and continuous improvement. The Board is tasked with oversight of the State’s investments and banking. We take our mandate for safety, liquidity, financial soundness, and return seriously.



In Fiscal Year 2024, the Investment Subcommittee (ISC) worked diligently to ensure that the State’s \$6.9 billion investment portfolio withstood challenges and pressures brought on by a fluctuating interest rate environment. The ISC actively monitored the investment allocation between the liquidity and reserve portfolios and oversaw the implementation of a series of strategic shifts towards reserves, which safeguarded State funds based on market conditions.

The Banking Subcommittee (BSC) continued its partnership with the Department of Technology and Information (DTI) to create [GoDE](#), a secure, convenient digital government platform that will transform how the public transacts business with the State of Delaware. The BCS continued its oversight of merchant processing vendors and the State’s compliance with industry security standards. The BSC’s efforts will ensure that our agencies, residents, and visitors are able to transact in the most secure, efficient, and modern way possible.

The BSC also continued to oversee the implementation of local banking services for State agencies and schools to one of our three contracted banking vendors – M&T, Citizens, and TD Banks. This project is nearly complete and will ensure that government agencies and school districts are able to leverage economies of scale offered through the banking contracts negotiated by the Office of the State Treasurer, which ultimately will realize efficiencies and savings for the State of Delaware.

As we look towards Fiscal Year 2025 and beyond, we intend to complete the local banking transition and continue our efforts with the development of the digital government platform. We do this while providing best-in-class oversight of the State’s investments and banking operations, proudly bringing safety and value to Delaware and its citizens.

Sincerely,

A handwritten signature in black ink that reads "Warren C. Engle". The signature is written in a cursive, flowing style.

Warren C. Engle

OVERVIEW OF THE BOARD'S WORK IN FISCAL YEAR 2024

The Board

- Adopted CMPB Resolution [2024-1](#). This resolution established the mandates and governance provisions for the ISC and BSC.
- Adopted CMPB Resolution [2024-2](#). This resolution established a Board policy concerning conflicts of interest and the State's Code of Conduct.

The Banking Subcommittee

- Oversaw OST's efforts to finalize the transition from PNC Bank.
- Oversaw OST's efforts to transition State agencies and schools to M&T Bank, Citizens Bank, and TD Bank for local banking services.
- Approved contract extensions for local banking partners, TD, M&T and Citizens Banks as well as contracts for US Bank (prepaid debit cards), Govolution (gateway services), and CampusGuard (PCI DSS consultant).
- Oversaw significant progress in the State's efforts to be fully compliant with the Payment Card Industry Data Security Standard (PCI DSS) requirements prescribed by the Payment Card Industry Security Standards Council.
- Continued its oversight of the transition of State agencies and school districts to Fiserv, Inc. for merchant services processing.
- Worked with the DTI to create GoDE, a secure, convenient digital government platform for business transactions with the State of Delaware.

The Investment Subcommittee

- Reviewed the Board's investment and banking guidelines and promulgated changes through the State's formal regulatory process.
- Directed a shift in the investment architecture of the State's liquidity versus reserve allocation, which allowed the Board to safeguard and preserve the State's financial portfolio.
- Evaluated the annual School and Special Fund Rate calculation to ensure alignment with changing interest rate environment.
- Oversaw the investment of American Rescue Plan Act and Coronavirus Aid, Relief, and Economic Security Act funding.
- Approved contract extensions for investment managers: PFM Group, Wilmington Trust, BlackRock, Chandler Asset Management, JP Morgan, and Lazard.

OVERVIEW OF THE BOARD'S GOALS FOR FISCAL YEAR 2025

The Banking Subcommittee

- Complete the transition of local banking services and over-the-counter deposits from legacy bank accounts to M&T Bank, Citizens Bank, and TD Bank, this is inclusive of assuring all operating accounts are closed with PNC bank.
- Provide feedback and guidance regarding PCI compliance validation and attestation by State agencies and school districts that process credit cards via Visa, Mastercard, American Express and Discover.
- Provide feedback and guidance regarding payment gateway and credit card processing migration for in-person and e-commerce (Govolution) payments through Fiserv inclusive of account reconciliation, and analysis services. for Fiserv, Inc. migration.
- Continue to work with DTI on GoDE to ensure that the State's digital government platform is first in class.

The Investment Subcommittee

- Continue to oversee the State's investment by monitoring and assessing the strategic allocation between the State's liquidity and reserve accounts.
- Conduct an annual review of the Board's investment and banking guidelines and promulgate any approved guideline changes through the formal regulatory process.
- Evaluate the School and Special Fund Rate calculation.
- Provide feedback and guidance regarding the annual review of the performance of the State's investment managers.

INVESTMENT PERFORMANCE RESULTS FOR FISCAL YEAR 2024

Fiscal Year 2024 Commentary

As of June 2024, the target allocation between the liquidity and reserve portfolios is 25% liquidity/ 75% reserve. This was adjusted in June 2023 from the previous target allocation of 50% liquidity/50% reserve, in light of change in market rates.

Total Liquidity Portfolio Results

As of June 30, 2024, the market value of the liquidity portfolio was \$1,866,839,588. The liquidity portfolio generated a Fiscal Year 2024 return of 5.5%. The liquidity portfolio restructuring has been in place for slightly more than four years and balances have normalized. At the time of restructuring, the liquidity portfolio shifted in light of changing market conditions. The current distribution within the liquidity portfolio is split between two managers, PFM and Wilmington Trust, which invest in high-quality U.S. government, agency, and investment grade corporate securities. Over the fiscal year, these securities performed well relative to the opportunity set, considering the flight to safety seen by the market over the period.

Total Reserve Portfolio Results

As of June 30, 2024, the market value of the reserve and operating portfolio was \$4,434,059,210. The reserve and operating portfolio generated a Fiscal Year 2024 return of 3.7% which outperformed its custom index by 16 basis points on a net-of-fee basis. There was strong relative performance across the portfolio, and shorter duration managers continued to benefit the most from market sensitivities around interest rates throughout the period.

Total Endowment Portfolio Results

As of June 30, 2024, the market value of the endowment fund portfolio was \$119,908,312. The endowment fund generated a Fiscal Year 2024 return of 12.7%, which on a net of fee basis underperformed the benchmark by 0.2%. Endowment fund assets are split between two balanced strategy managers, Mercer and SEI.

Total ARPA Portfolio Results

As of June 30, 2024, the market value of the ARPA portfolio was \$467,200,961, and generated a Fiscal Year 2024 return of 5.6%, outperforming the FTSE 1 Month T-Bill by 2 basis points. The American Rescue Plan Act (ARPA) portfolio was established during Fiscal Year 2021. Funds in the composite were received from the Federal Government and deposited into the account during May 2021. The funds are invested in liquid, high quality U.S. government and corporate fixed income instruments to preserve principal as they are disbursed over time for qualified program expense.

Cash Management Policy Board Annual Report
Fiscal Year ending June 30, 2024

FISCAL YEAR TO DATE

	Change in Market Value Fiscal Year-to-Date Through June 30, 2024									Ending Market Value
	Beginning Market Value	Contributions	Withdrawals	Fees	Income	Unrealized Gain (Loss)	Realized Gain (Loss)	Amortization / Accretion		
Liquidity Managers										
PFM Asset Management	\$ 1,206,007,372	\$ 400,001,764	\$ (705,000,000)	\$ (445,714)	\$ 34,673,257	\$ 5,489,809	\$ 1,054,439	\$ 6,524,240	\$ 948,106,498	
Wilmington Liquidity	\$ 1,178,903,224	\$ 400,000,000	\$ (705,000,000)	\$ (411,246)	\$ 23,389,215	\$ 11,589,831	\$ (27,669)	\$ 10,473,101	\$ 918,733,089	
Total Liquidity Managers	\$ 2,384,910,596	\$ 800,001,764	\$ (1,410,000,000)	\$ (856,960)	\$ 58,062,472	\$ 17,079,640	\$ 1,026,770	\$ 16,997,341	\$ 1,866,839,588	
Reserve Managers										
BlackRock Financial Management	\$ 874,534,970	\$ 190,000,000	\$ -	\$ (445,933)	\$ 37,105,818	\$ 9,564,084	\$ (3,878,105)	\$ 7,385,887	\$ 1,114,146,359	
Chandler Asset Management	\$ 885,547,859	\$ 190,000,000	\$ -	\$ (436,496)	\$ 38,330,892	\$ 2,167,706	\$ (6,482,126)	\$ 3,152,249	\$ 1,112,162,348	
JPM Intermediate	\$ 869,429,478	\$ 190,000,116	\$ -	\$ (474,199)	\$ 41,146,416	\$ 14,336,010	\$ (7,495,107)	\$ 2,703,818	\$ 1,112,278,508	
Lazard Asset Management	\$ 876,078,244	\$ 190,000,000	\$ -	\$ (791,570)	\$ 36,399,615	\$ (5,275,949)	\$ (4,256,278)	\$ 3,526,469	\$ 1,095,471,996	
Total Reserve Managers	\$ 3,505,590,551	\$ 760,000,116	\$ -	\$ (2,148,199)	\$ 152,982,740	\$ 20,791,851	\$ (22,111,615)	\$ 16,768,423	\$ 4,434,059,210	
Total Liquidity & Reserve Managers	\$ 5,890,501,147	\$ 1,560,001,880	\$ (1,410,000,000)	\$ (3,005,159)	\$ 211,045,212	\$ 37,871,491	\$ (21,084,845)	\$ 33,765,764	\$ 6,300,898,798	
Land & Water Endowment										
SEI Funds	\$ 48,853,444	\$ 7,866,500	\$ (1,589,661)	\$ (134,020)	\$ 1,534,527	\$ 868,411	\$ 4,369,632	\$ -	\$ 61,725,604	
Vanguard	\$ 46,013,315	\$ 7,866,500	\$ (1,593,041)	\$ (62,464)	\$ 1,311,424	\$ 4,185,155	\$ 482,017	\$ -	\$ 58,182,618	
Total Land & Water Endowment	\$ 94,866,849	\$ 34,637,472	\$ (22,087,175)	\$ (196,484)	\$ 2,845,952	\$ 5,053,566	\$ 4,851,649	\$ -	\$ 119,908,312	
ARPA										
PFM ARPA	\$ 327,157,915	\$ 123,918	\$ (106,113,699)	\$ (130,537)	\$ 10,651,510	\$ 992,870	\$ 315,316	\$ 2,964,893	\$ 236,486,867	
Wilmington ARPA	\$ 322,009,164	\$ 123,918	\$ (106,113,699)	\$ (136,837)	\$ 7,964,720	\$ 1,007,295	\$ 103,824	\$ 5,806,188	\$ 230,714,095	
Total ARPA	\$ 649,167,079	\$ 247,836	\$ (212,227,397)	\$ (267,374)	\$ 18,616,230	\$ 2,000,165	\$ 419,140	\$ 8,771,081	\$ 467,200,961	
Total	\$ 6,634,535,075	\$ 1,594,887,188	\$ (1,644,314,572)	\$ (3,469,017)	\$ 232,507,394	\$ 44,925,222	\$ (15,814,057)	\$ 42,536,844	\$ 6,888,008,075	

Footnotes:

As of June 2023, the target allocation between Liquidity and Reserve Portfolios was adjusted to 25%/75%. The previous target allocation was 50%/50%.

Values provided by Northern Trust and are reconciled to the audited custodian reports.

Income is a product of income received during the month plus accrued income.

Numbers may not add due to rounding.



Source: NEPC, LLC period ending June 30, 2024

HISTORICAL FUND PERFORMANCE

Total Fund Performance Summary				
	1 Yr	3 Yr	5 Yr	10 Yr
Total Liquidity	5.49%	2.43%	2.00%	1.63%
Total Reserve	3.73%	-1.01%	0.69%	1.39%
<i>Reserve Custom Index</i>	3.57%	-1.54%	0.42%	1.22%
Total Endowment	12.71%	2.24%	5.75%	
<i>Endowment Custom Index</i>	12.95%	2.99%	7.12%	6.21%
Total ARPA	5.58%	2.56%		
<i>FTSE 1-Month T-Bill</i>	5.56%	3.11%		

Notes: Net of Fees. Results for periods longer than one year are annualized. Fiscal year end is June 30.
Reserve Custom Index consists of 25% ICE BofA 1-5 Yrs AAA-A US Corp & Govt TR / 25% ICE BofA1-3 Yrs AAA-A US Corp & Govt / 50% ICE BofA US Gov/Credit 5-10 Yrs A
Endowment Custom Index consists of 60% MSCI World Index/40% Bloomberg US Aggregate



Source: NEPC, LLC

OVERVIEW OF THE CASH MANAGEMENT POLICY BOARD

Creation of the Board

The Cash Management Policy Board was established by the Delaware General Assembly in 1981. The Board's duties and authority are codified in 29 *Del. C.* § 2716. The Board is required to submit an annual report to the Governor and General Assembly.

Mission

The Board exists to create policies and provide oversight for the investment and banking of all money belonging to the State or on deposit from its political subdivisions, except money deposited in any State pension fund or the State Deferred Compensation Program, and to determine the terms, conditions and other matters relating to those investments, including the designation of permissible investments.

Responsibility

The members of the Board are fiduciaries and are required to exercise the same level of prudence, discretion, and intelligence as they would in the management of their own affairs with due regard to the probable income and level of risk from investments belonging to the State.

Authority

The Board is authorized to adopt rules and regulations for the general administration of its duties, to establish a policy for the State's checking accounts, and to enter into agreements for the services of private and public consultants, research, technical or other services, and facilities whenever deemed necessary by the Board.

Administration and Support

The Board is an independent public instrumentality. For administrative and budgetary purposes, the Board is housed within the Office of the State Treasurer. Staff support is provided by the Office of the State Treasurer as determined by the State Treasurer.

Composition of the Board

The Board is comprised of nine members, four of whom are government officials serving "ex officio" and five of whom are financial experts from the private sector appointed by the Governor and approved by the Senate. At the end of Fiscal Year 2024, the Board was comprised of the following members:

Appointed Members

Mr. Warren C. Engle - Chairman
Retired, Senior Vice President, PNC Bank

Mr. Mike Karia - Investment Chair
Adjunct Professor/MBA Advisor, Wilmington University

Ms. Tarrie Miller - Banking Chair
President and Chief Operating Officer, County Bank

Mr. Stephen Marvin
Chief Risk Officer, Marvin & Palmer Associates

Mr. Leland Sylver
Wealth Manager, BNY Mellon Wealth Management

Ex Officio Members

Mr. Richard J. Geisenberger
Secretary of Finance

Mr. Jeffrey W. Bullock
Secretary of State

The Honorable Colleen C. Davis
State Treasurer

Ms. Ruth Ann Miller
Controller General