



**MINUTES FROM THE INVESTMENT SUBCOMMITTEE
OF THE CASH MANAGEMENT POLICY BOARD
November 6, 2024**

A meeting of the Investment Subcommittee (the “Subcommittee”) of the Cash Management Policy Board (the “Board”) was held on November 6, 2024, at 10:00 a.m. The meeting was conducted virtually, with public accommodations provided in the Large Conference Room of the Office of the State Treasurer (“OST”), 820 Silver Lake Blvd., Suite 100, Dover, DE 19904.

Subcommittee Members Represented or in Attendance:

Mr. Mike Karia, Subcommittee Chair

Mr. Stephen Marvin, Vice Chair

The Honorable Rick Geisenberger, Secretary of Finance

Mr. Warren Engle, Board Chair

Mr. Jordan Seemans, Deputy Treasurer, OST, designee for the Honorable Colleen Davis, State Treasurer

Not in Attendance:

The Honorable Colleen Davis, State Treasurer

Others in Attendance:

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

Ms. Fiah Kwesseu, Director of Operations and Fund Management, OST

Ms. Khairat Makanjuola, Chief Operating Officer, OST

Ms. Antonia Kramer, Assistant Cash and Debt Manager, OST

Ms. Ninna Vaughn, Executive Assistant, OST

Ms. Priya Vaidya, Accounting Specialist, OST

Ms. Layne Taylor, OST, Director of Policy and Communication

Mr. Jonovan Sackey, NEPC

Mr. Kevin Leonard, NEPC

Ms. Jennifer Appel, NEPC

Mr. Arthur Jenkins, DOL, Labor Market Economist

CALLED TO ORDER

The meeting was called to order at 10:01 a.m. A quorum was established.

INTRODUCTIONS

Mr. Seemans introduced Layne Taylor, who is OST’s new Director of Policy and Communication.

APPROVAL OF THE MINUTES

A MOTION to approve the August 7, 2024, minutes was made by Secretary Geisenberger and seconded by Mr. Seemans.

MOTION ADOPTED UNANIMOUSLY

PRESENTATION AND DISCUSSION OF THE 3rd QUARTER PERFORMANCE REPORT

NEPC provided a review of the 3rd Quarter Performance Report. Ms. Appel presented the Subcommittee with an overview of the State’s portfolio performance for the 3rd Quarter 2024. The State’s consolidated balance is \$6.5 billion (including ARPA funds), with liquidity and reserve portfolio balances of \$5.9 billion.

NEPC HIGHTOWER CLIENT LETTER DISCUSSION AND POTENTIAL VOTE

Mr. Leonard explained the partnership between NEPC and Hightower. On January 1, 2025, Hightower will own 80% of NEPC. The collaboration between OST and NEPC will remain the same and Hightower will not be involved in our investment consultant contract. Mr. Staib indicated that NEPC’s proposed form of consent to the deemed assignment was acceptable.

A MOTION to recommend consent to the NEPC/Hightower assignment to the Full Board made by Secretary Geisenberger and seconded by Mr. Karia.

MOTION ADOPTED UNANIMOUSLY

LIQUIDITY MANAGERS BENCHMARK DISCUSSION AND POTENTIAL VOTE

NEPC analyzed four benchmarks which included Bloomberg Short Treasury Bills (1-3 Months), Bloomberg 3-Month Treasury Bill, Bloomberg Short Treasury Bills (3-6 Months), and ICE BofA 6-Month Treasury Bill. NEPC recommended the ICE BofA 6-Month Treasury Bill Index to evaluate the Liquidity portfolio and investment managers. This benchmark best aligns with the Liquidity mandate and historical yield and duration profile of the portfolio. NEPC proposed introducing benchmarking to monthly and quarterly performance reports to aid in portfolio performance.

Secretary Geisenberger requested additional data showing 3-12 months of historical returns results to be shared with the board for further review before accepting NEPC’s recommendation.

INVESTMENT ARCHITECTURE ALLOCATION DISCUSSION AND POTENTIAL VOTE

NEPC discussed investment architecture allocation presentation. During the June 7, 2023, meeting, the Board voted to return to a 25% liquidity – 75% reserve allocation. As of September 30, 2024, the current allocation is as follows: 22.17% liquidity – 77.83% reserve.

For the quarter, draws from the liquidity accounts totaled \$580 million. In October 2024, OST expects to receive \$600 million in county property taxes which will allow us to rebalance to a 25/75 allocation with the remaining funds being invested with the reserve managers. OST will keep the Board apprised of progress at our quarterly meetings and monthly progress can be monitored via the NEPC Monthly Flash reports.

OST cashflow comprises the repayment of the state’s outstanding bond debt. Commentary from Secretary Geisenberger and concerns for Capital projects and cashflows are more closely monitored by the Office of Management and Budget.

INVESTMENT GUIDELINES DISCUSSION UPDATE

Mr. Seemans discussed the investment guidelines presentation. During the September 11, 2024, Full Board meeting there was a ratified vote to promulgate approved guideline changes through the formal regulatory process. Revised Investment Guidelines were submitted to the Registrar of Regulations on October 11th and were published on November 1, 2024. Assuming no substantive responses are received, the regulations will be published in final form in the December book of regulations. After that, the Implementing Order becomes final, and the new Investment Guidelines will be effective ten days after publication of the Implementing Order. A full update will be provided during the December 5th Full Board meeting.

ARPA FUND UPDATE

Ms. Kramer discussed the ARPA fund update. As of September 30, 2024, the State ARPA funds totaled \$439 million with one draw for \$28 million occurring during the quarter.

INVESTMENT MANAGERS CONTRACTS

Ms. Makanjuola provided updates to the Investment Managers contracts. The Investment Managers contracts expire on January 31, 2025. The Agreement provided an initial five-year term from February 1, 2018, through January 31, 2023, with the option to extend for up to three additional one-year terms upon written notice to the Vendor. OST will exercise the last one-year term extension of the Agreement. The new contract expiration will be January 31, 2026. OST plans to post the RFP in March 2025. OST will keep the subcommittee updated as the RFP timeline is completed.

ENDOWMENT MANAGERS RESEARCH & LEGAL OPINION DISCUSSION

Ms. Makanjuola and Mr. Staib discussed the endowment managers research and legal opinion memo. Mr. Staib's legal opinion confirms that the Board has authority over (and oversight responsibility for) donations made directly to school districts and most other State entities, irrespective of use restrictions. Such authority and duties likely would not extend to donations made directly to State entities with separate banking and investment authority, or donations made to or for the benefit of independent foundations that support school districts through fundraising campaigns.

OTHER MATTERS OF THE SUBCOMMITTEE

None

PUBLIC COMMENT

No public comment was issued by an attending member of the public.

EXECUTIVE SESSION

No executive session was held.

NEXT MEETING

The next Full Board meeting is scheduled virtually for Thursday, December 5, 2024
The next Investment Subcommittee meeting is TBD.

ADJOURNMENT

The meeting concluded at 11:30 am.

Respectfully submitted,

Mike Karia
Chair for the Investment Subcommittee