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MINUTES FROM THE INVESTMENT SUBCOMMITTEE OF THE CASH MANAGEMENT POLICY BOARD
February 5, 2025

A meeting of the Investment Subcommittee (the "Subcommittee") of the Cash Management Policy Board (the "Board") was held on February 5, 2025, 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
Mr. Micheal Smith, Secretary of Finance
Ms. Colleen Davis, State Treasurer
Mr. Warren Engle, Board Chair

Not in Attendance:
Ms. Antonia Kramer, Cash Manager, OST

Others in Attendance:
Mr. Jason Staib, Deputy Attorney General, Delaware Department of Justice
Mr. Jordan Seemans, Deputy Treasurer, OST
Ms. Khairat Makanjuola, Chief Operating Officer, OST
Ms. Fiah Kwesseu, Director of Operations and Fund Management, OST
Mr. Brennon Fountain, Director of Reconciliations and Transaction Management, OSTMs. Ninna Vaughn, Executive Assistant, OST
Ms. Priya Vaidya, Accounting Specialist, OST
Ms. Layne Taylor, Director of Policy and Communication, OST
Mr. Andrew Fiorentino, Director of Communications , OST
Mr. Jonovan Sackey, NEPC
Mr. Kevin Leonard, NEPC
Ms. Jennifer Appel, NEPC
Mr. Anson Gock, Public Member
Ms. Lindsay Saienni, FIN News

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

INTRODUCTIONS
Ms. Makanjuola introduced Layne Taylor, Director of Policy and Communication, and Andrew Fiorentino, Director of Communications. Then, Ms. Vaughn initiated a roll call. All attendees stated their names and titles.

APPROVAL OF THE MINUTES
A MOTION to approve the November 6, 2024, minutes was made by Mr. Engle and seconded by Mr. Karia.
MOTION ADOPTED UNANIMOUSLY

PRESENTATION AND DISCUSSION OF THE 4th QUARTER PERFORMANCE REPORT
NEPC provided a review of the 4th Quarter Performance Report. Mr. Sackey and Ms. Appel presented the Subcommittee with an overview of the State's portfolio performance for the 4th Quarter 2024. The State's consolidated balance is $6.3 billion (including ARPA funds), with liquidity and reserve portfolio balances of $5.7 billion.

LIQUIDITY MANAGERS BENCHMARK DISCUSSION AND POTENTIAL VOTE
Ms. Makanjuola provided historical knowledge of the liquidity managers benchmark to the board. She explained that currently, there isn't a fixed benchmark, and OST has asked NEPC for a recommendation. Ms. Appeal presented NEPC's recommendation. NEPC recommended that the ICE Bank of America six-month Treasury Bill index be utilized as the benchmark for the liquidity portfolio.

A MOTION to approve the ICE Bank of America six-month Treasury Bill index to be utilized as the benchmark for the liquidity portfolio was made by Mr. Engle and seconded by Treasurer Davis.
MOTION ADOPTED UNANIMOUSLY

LAZARD RESERVES MANAGER DISCUSSION AND POTENTIAL VOTE
Ms. Makanjuola provided historical knowledge about Lazard. Lazard has been under contract with OST since March of 2018. After analyzing historical data, it was determined that Lazard is underperforming as a manager.

Mr. Leonard presented NEPC's recommendation. NEPC recommended replacing Lazard with a better manager to manage the portfolio. This replacement will occur after the upcoming RFP is completed and contracts are awarded. The goal of the RFP is to award the same number of managers as the current contract, which is four managers. In the meantime, Lazard will continue to manage funds.

A MOTION to approve NEPC's recommendation to continue business with Lazard until the new Investment Managers Request for Proposal ("RFP") process is completed was made by Mr. Engle and seconded by Mr. Marvin.
MOTION ADOPTED UNANIMOUSLY

INVESTMENT GUIDELINES DISCUSSION UPDATE
Mr. Seemans provided an update on the Investment Guideline changes. He explained that the final Implementing Order was submitted to the Registrar of Regulation on December 15, 2024. As of January 1, 2025, those changes are final.

(https://regulations.delaware.gov/register/january2025/final/28%20DE%20Reg%20549%2001-01-25.htm)

RESOLUTION NO. 2025-1 FURTHER AMENDING INVESTMENT ARCHITECTURE FOR THE STATE'S CASH ACCOUNTS DISCUSSION AND POTENTIAL VOTE

- **INVESTMENT PORTFOLIO ALLOCATION REBALANCE TIMEFRAME**
  Ms. Kwesseu discussed that the allocation for our investment portfolio is 25% liquidity and 75% reserve. The current Investment Architecture does not clearly outline the timeframe OST has to rebalance the allocation if it falls below the specified percentages. OST recommended that the ISC consider adding language to the document providing a definitive timeframe to rebalance the portfolio. NEPC recommended a timeframe of up to six months to rebalance allocation for ISC consideration.

  MOTION to approve to the Full Board rebalancing the investment portfolio timeframe up to six months was made by Mr. Engle and seconded by Mr. Karia.
  MOTION ADOPTED UNANIMOUSLY

- **BUDGET STABILIZATION FUN LOCATION**
  Ms. Makanjuola discussed that the budget stabilization fund was created to help the State of Delaware build substantial & accessible cash reserves and manage expected budget deficits without the necessity for major changes for major tax policy changes or budget cuts over the past 6 budget cycles. Ms. Makanjuola further explained that this discussion topic intended to correct a mismatch between the footnotes from "Board Resolution 2023-1, which states that pending further guidance from the Board, the Budget Stabilization Fund shall be held in Liquidity Accounts and distributed among the Liquidity Managers on a pro rata basis", whereas Section IV of the same resolution document states that the Tier 2 Reserve Account shall include the "Budget Stabilization Fund". The action to relocate the Fund to liquidity managers coincides with a shift in target allocation between liquidity and reserve managers to an even split of 50%/50%. However, the target allocation between both categories of managers has since shifted to 25%/75% as of June 30, 2023. OST requested action from the Board to formally align the intention of the investment architecture to reflect the appropriate location of the fund. That is, restore the BSF back to a Tier 2 Reserve Manager Account. The current balance of the Fund is $469.2 million as of July 1, 2024, per the FY 2025 Budget Stabilization memo provided by the State's Department of Finance.

  MOTION to approve restoring the BSF back to a Tier 2 Reserve Manager Account was made by Mr. Karia and seconded by Mr. Engle.
  MOTION ADOPTED UNANIMOUSLY

INVESTMENT MANAGERS CONTRACTS DISCUSSION AND POTENTIAL VOTE

Ms. Kwesseu provided updates to the Investment Manager contracts. These contracts will expire on January 31, 2026. OST has received a supplemental services opinion from DAG that supports an additional one-year extension which would set the new contract date to January 31, 2027, with plans to post the RFP in March 2026.

MOTION for authority to negotiate and execute a one-year extension with Investment Managers, with the intention to keep pricing and contract terms the same for this amendment was made by Mr. Karia and seconded by Secretary Smith.
MOTION ADOPTED UNANIMOUSLY

ENDOWMENT MANAGERS RESEARCH & LEGAL OPINION DISCUSSION
Ms. Makanjuola provided historical knowledge about the endowment manager research and noted prior questions posed as to whether the Board has authority to invest the endowment fund in equities and whether the Board has oversight responsibility for donations made directly to school districts and other State entities. Mr. Staib explained that the Board has statutory authority to invest State funds in equities and has promulgated regulations to permit such investments for money held in the endowment fund. The Board has authority over (and oversight responsibility for) Donations made directly to school districts and most other State entities, irrespective of use restrictions. Unless held in a bank or brokerage account opened under the State's EIN, 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. OST will refine the policy and provide updates at the next Subcommittee meeting.

OTHER MATTERS OF THE SUBCOMMITTEE
None

PUBLIC COMMENT
No public comment issued by attending member of the public.

EXECUTIVE SESSION
No executive session was held.

NEXT MEETING
- The next full Board meeting is scheduled virtually for Wednesday, February 26, 2025
- The next Investment Subcommittee meeting is May 7, 2025.

ADJOURNMENT
The meeting concluded at 11:28 am.

Respectfully submitted,

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Mike Karia
Chair for the Investment Subcommittee