DELAWARE CASH MANAGEMENT POLICY BOARD

RESOLUTION NO. 2025~~3~~-~~2~~1 FURTHER AMENDING INVESTMENT ARCHITECTURE FOR THE STATE'S CASH ACCOUNTS[1]

WHEREAS, the Delaware Cash Management Policy Board (the "**Board**") is authorized and empowered by 29 *Del. C.* § 2716(a) to establish policies (a) for the investment of all money belonging to the State of Delaware (the "**State**") or on deposit from its political subdivisions, except money deposited in any State pension fund or deferred compensation program, and (b) to determine the terms, conditions and other matters relating to the investment of State Funds, including the designation of permissible investments, the allocation between short- and long-term investments, the selection of investment managers ("**Managers**") and the allocation of funds among the Managers;

WHEREAS, the Board has promulgated investment objectives and guidelines for the investment of State Funds, as memorialized in 1 *Del. Admin. C.* § 1201 (the "**Guidelines**");

WHEREAS, under the Guidelines, unless otherwise determined by the Board, the Office of the State Treasurer ("**OST**") has discretionary authority to allocate State Funds among the Cash Accounts in accordance with the general purposes of the Accounts and the investments objectives for those Accounts set forth in the Guidelines;

WHEREAS, the Guidelines do not expressly prescribe (a) the specific amounts or percentages of State funds that must remain in the Cash Accounts, (b) the number of Liquidity or Reserve Accounts that will be maintained to manage State funds, (c) the number of Managers that are required or authorized to provide investment services for the Liquidity and Reserve Accounts, (d) the benchmarks or benchmark proxies that will be used by OST and the Board to assess the performance of State funds and the Managers, or (e) the treatment of restricted State funds ("**Open Investment Issues**");

WHEREAS, pursuant to Resolution No. 2017-1, the Board preliminarily approved an Investment Architecture addressing certain of the Open Investment Issues to provide a more detailed framework for the investment of State funds;

WHEREAS, pursuant to Resolution No. 2018-1, the Board approved an Amended Investment Architecture that refined the benchmark guidance and Reserve Account structure;

WHEREAS, pursuant to Resolution No. 2020-1, the Board, in light of pandemic-related liquidity concerns, approved a Second Amended Investment Architecture that adjusted the allocation of excess cash as between Liquidity and Reserve Accounts, added a discretionary five-percent buffer to the target balance percentages, and added provisions to deal with restricted accounts;

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[1] Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Guidelines.

WHEREAS, on August 25, 2021, the Board by unanimous vote, in light of ongoing liquidity and interest rate concerns, set the allocation as between Liquidity and Reserve Accounts at forty percent (40%) and sixty percent (60%), respectively;

WHEREAS, on December 1, 2021, the Board by unanimous vote, in light of ongoing liquidity and interest rate concerns, set the allocation as between Liquidity and Reserve Accounts at fifty percent (50%) and fifty percent (50%), respectively;

WHEREAS, on March 9, 2022, the Board by unanimous vote, as memorialized in Resolution No. 2022-1 and the Third Amended Investment Architecture attached thereto, in light of ongoing liquidity and interest rate concerns, set the allocation as between Liquidity and Reserve Accounts at sixty-five percent (65%) and thirty-five percent (35%), respectively;

WHEREAS, on November 2, 2022, the Board convened a special meeting and by unanimous vote, in light of ongoing uncertainty and interest rate concerns, set the allocation as between Liquidity and Reserve Accounts at sixty percent (60%) and forty percent (40%), respectively;

WHEREAS, on February 8, 2023, the Board by unanimous vote, as memorialized in Resolution 2023-1 and the Fourth Amended Investment Architecture attached thereto, in light of ongoing uncertainty and interest rate concerns, set the allocation as between Liquidity and Reserve Accounts at fifty percent (50%) and fifty percent (50%), respectively;~~ and~~

WHEREAS, on June 7, 2023, the Board by unanimous vote, as memorialized in Resolution 2023-2 and the Fifth Amended Investment Architecture, in light of market expectations relating to interest rates and higher yield environment, set the target allocation as between Liquidity and Reserve Accounts at twenty-five percent (25%) and seventy-five percent (75%), respectively, ~~as memorialized in the Fifth Amended Investment Architecture attached hereto as **Exhibit A** (the "**Fifth Amended Investment Architecture**"),~~ and authorized OST to utilize cash inflows to rebalance the portfolios organically over time;

WHEREAS, on February 26, 2025, the Board by unanimous vote, established a benchmark proxy for Liquidity Managers; and

WHEREAS, on June 4, 2025, the Board by unanimous vote, adjusted the placement of the Budget Stabilization Fund within the Investment Architecture.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD:

1. The ~~Fifth~~ Sixth Amended Investment Architecture is approved and adopted by the Board, effective as of ~~June 7, 2023~~____________, 2025.

2. OST and its officers and employees are authorized and directed to take such action as may be necessary or appropriate to effectuate or carry out the purpose and intent of this Resolution, including, without limitation, the execution and delivery of any documents, instruments, agreements or amendments as may be necessary, advisable or appropriate to implement the ~~Fifth~~ Sixth Amended Investment Architecture, and the taking of any such

action shall conclusively evidence the appropriateness or necessity of any such documents, instruments or agreements.

3. The Board reserves the right to make any changes to the ~~Fifth~~ Sixth Amended Investment Architecture that it believes are in the best interest of the State.

4. All acts, transactions or agreements undertaken prior to the adoption of this Resolution by any member of the Board or any officers or employees of OST in connection with the matters authorized by this Resolution and all actions incidental thereto are hereby ratified, confirmed and adopted by Board.

Adopted by the Cash Management Policy Board on ~~December 13~~June 4, ~~2023~~2025

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Warren Engle, Chairperson

~~ATTEST:~~

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~~Colleen Davis, State Treasurer~~
~~& Board Member~~

EXHIBIT A

~~FIFTH~~ SIXTH AMENDED INVESTMENT ARCHITECTURE FOR CASH ACCOUNTS

The following ~~Fifth~~ Sixth Amended Investment Architecture (the "**Investment Architecture**") shall govern the management of the State's Cash Accounts. The Investment Architecture is intended to provide the Office of State Treasurer ("**OST**") and the Managers of such Accounts with a flexible framework to maintain the safety and availability of State Funds to meet the State's immediate and intermediate funding needs and maximize the return on State Funds. Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Guidelines or Board Resolution No. ~~2023~~2025-~~2~~1, as appropriate.

I. Allocation Among Cash Accounts

Under the Investment Architecture, a certain portion of State Funds, as determined by OST, in its discretion, will be held in Collection and Disbursement Accounts and used to cover anticipated near-term transactions. Amounts exceeding the State's projected near-term cash needs ("**Excess Cash**") shall be invested and held in Liquidity or Reserve Accounts in accordance with the Guidelines and this Investment Architecture. Excess Cash, as used herein, does not include amounts received from the federal government under the Coronavirus Aid, Relief, and Economic Security Act and American Recovery Plan Act.

Unless the Board by majority vote determines otherwise, (a) the Liquidity Accounts should have a target balance of approximately twenty-five percent (25%) of Excess Cash, as determined by investment account balances reported at month end, and (b) Reserve Accounts shall hold all other Excess Cash. A discretionary buffer of five percent (5%) shall per permitted. If (a) the aggregate balance of the Liquidity Accounts exceeds parameters permitted by the buffer ~~twenty-five percent (25%) of Excess Cash at the end of any month~~ and the balance is projected to continue to ~~exceed~~ deviate from such ~~percentage~~ parameters for all or a significant portion of the following month, or (b) if a rebalancing would involve net losses to the portfolio, OST shall consult with the Chair of the Board, who shall have authority to direct OST to rebalance, or not. All realized losses associated with a rebalancing shall be reported to the Investment Subcommittee and the full Board.

II. Management of Liquidity Accounts and Managers

There shall be two (2) Liquidity Accounts, each with its own Liquidity Manager. The Liquidity Accounts will be managed in accordance with relevant sections of the Guidelines.

OST may in its discretion draw on Excess Cash in one Liquidity Account or both Liquidity Accounts to meet anticipated funding needs within a given fiscal year. Discretionary draws normally will be made on a pro rata basis. One or both of the Liquidity Accounts may be completely liquidated during certain periods of the fiscal year.

OST shall have discretion to replenish the Liquidity Accounts as revenues are received throughout the fiscal year. Refunding of the Liquidity Accounts normally will be made on a pro rata basis.

III. Management of Reserve Accounts and Managers

There shall be three (3) "Tiers" of Reserve Accounts, with each Tier having a unique investment maturity target. The Tier 1 Reserve Account has a maturity target of one (1) to three (3) years. The Tier 2 Reserve Account has a maturity target of one (1) to five (5) years. The Tier 3 Reserve Accounts have a maturity target of five (5) to ten (10) years. There shall be two (2) Tier 3 Reserve Accounts, each with its own Reserve Manager.

Excess Cash in the Reserve Accounts will be distributed among four (4) Reserve Managers. The Reserve Accounts will be managed in accordance with relevant sections of the Guidelines.

In the event the State has unanticipated funding needs, draws from the Reserve Accounts should be made on a pro rata basis. Refunding of the Reserve Accounts should likewise be made on a pro rata basis. OST may, with the consent of the Chair of the Subcommittee, deviate from the pro rata draw and refunding requirements.

IV. Restricted Amounts

The Tier 1 Reserve Account shall include the "Budget Reserve Account" provided for in art. VIII, § 6 of the Delaware Constitution of 1897. Excess Cash in the Budget Reserve Account may not be accessed absent a 3/5 vote of the members of each house of the General Assembly.

The Tier 2 Reserve Account shall include the "Budget Stabilization Fund" ~~if and~~ as provided for in ~~the annual Budget Bill~~29 *Del. C.* § 6533(k). Draws from the Budget Stabilization Fund must be authorized by an act of the General Assembly.~~[2]~~

Amounts received directly by the State from the federal government in response the Covid-19 emergency ("**Emergency Funds**") shall be allocated pro rata to the Liquidity Managers and managed in separate special liquidity accounts in accordance with the Board's directives. Emergency Funds shall not be deemed Excess Cash for allocation purposes under Section I above.

V. Benchmark Proxies

Liquidity Managers. ~~None.~~The Benchmark Proxy for Liquidity Managers shall be: 100% invested in Intercontinental Exchange Bank of America Merrill Lynch ("**ICE BofAML**") 6-month Treasury Bill Index.

~~[2] 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.~~

Tier 1 Reserve Manager. The Benchmark Proxy for the Tier 1 Reserve Manager shall be: 100% invested in ~~Intercontinental Exchange Bank of America Merrill Lynch ("~~ICE BofAML~~")~~ 1- to 3-year government/corporate bonds rated "A" or better.

Tier 2 Reserve Manager. The Benchmark Proxy for the Tier 2 Reserve Manager shall be: 100% invested in ICE BofAML 1- to 5-year government/corporate bonds rated "A" or better.

Tier 3 Reserve Managers. The Benchmark Proxy for the Tier 3 Reserve Managers shall be: 100% invested in ICE BofAML 5- to 10-year government/corporate bonds rated "A" or better.