



**MINUTES FROM THE MEETING OF THE INVESTMENT
COMMITTEE OF THE PLANS MANAGEMENT BOARD
February 11, 2025**

A virtual meeting of the Investment Committee (the “Committee”) of the Plans Management Board (the “Board”) was held on February 11, 2025, commencing at 10:00 a.m. Committee members and members of the public were able to participate using the provided dial-in information.

Committee Members Represented or in Attendance:

Mr. Alan Colberg, Committee Chair
The Honorable Colleen C. Davis, State Treasurer
Mr. Michael Smith, Secretary Department of Finance
Mr. Dave Biddle

Members Absent:

Mr. Brian Maxwell, Director of Office of Management and Budget
Mr. Todd Roselle

Others in Attendance:

Mr. Jordan Seemans, Deputy State Treasurer
Mr. Jason Staib, Deputy Attorney General, Delaware Department of Justice
Mr. John Meyer, Director of Contributions and Plans Management, Office of the State Treasurer (“OST”)
Ms. Khairat Makanjuola, Chief Operating Officer, OST
Ms. Layne Taylor, Director of Policy and Communications
Mr. Andrew Fiorentino, Director of Communications, OST
Mr. Dan Kimmel, Promotion and Outreach Manager, OST
Ms. Deborah Bradl, Executive Assistant, OST
Mr. Earle Allen, Principal Financial Advisor, CAPTRUST
Mr. James Duffy, Principal Financial Advisor, CAPTRUST
Mr. Anthony Durkan, Vice-President, Head of 529 Relationship Management, Fidelity Investments, Inc. (“Fidelity”)
Ms. Margaret O’Brien, Principal, Client Service Team, Champlain Investment Partners, LLC
Mr. Scott Brayman, Chief Investment Officer, Champlain Investment Partners, LLC
Mr. Corey Bronner, Deputy Chief Investment Officer, Champlain Investment Partners, LLC
Ms. Corrine Armann, Rebecca Kidner, P.A.

CALL TO ORDER

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

APPROVAL OF MINUTES

A MOTION was made by Mr. Biddle and seconded by Ms. Taylor to approve the minutes from the Committee meeting on November 19, 2024.
MOTION ADOPTED UNANIMOUSLY

Treasurer Davis joined the meeting.

PRESENTATIONS

Watch List Discussion with Champlain Mid-Cap Institutional Fund

Ms. O'Brien reviewed the organizational model and investment process of Champlain Investment Partners, LLC, with the Committee. Mr. Brayman reviewed Champlain's investment goals and investment process with the Committee. Mr. Bronner noted that the negative performance of the Mid-Cap Institutional Fund was due to market environment factors during 2022 where a combination of increased interest rates and Champlain's weak position in the market led by weak performance in software and healthcare impacted the three-year returns versus the benchmark. He further stated that smaller position sizes, more positions and less patience with fundamentally challenged situations will return the Champlain Mid-Cap Institutional Fund back to the type of risk outcomes that are expected. The Committee followed with discussion and questions.

Investment Performance on Deferred Compensation Plans – CAPTRUST

Mr. Allen reviewed the performance metrics for the three deferred compensation plans. As of December 31, 2024, assets in the plans totaled approximately \$1.40 billion, excluding assets held at legacy 403(b) vendors (valued at approximately \$248.8 million as of December 31, 2024), representing an increase of approximately \$173.1 million or 14.1 percent for the quarter. Quarterly contributions were approximately \$21.7 million which contributed to the increase in assets for the quarter. Mr. Allen indicated that the average weighted expense ratio of the funds remained at 0.30 percent, which is .06 percent less than the average NAGDCA survey result of similar sized plans.

Mr. Allen reviewed the different investment tiers within the plans. As of December 31, 2024, Tier 1 held approximately 69 percent of total assets (\$967.3 million). Tier 1 also received nearly sixty-nine percent (\$15 million) of all new contributions in the fourth quarter of 2024. Eighty-four percent of participants are invested in Tier 1 target date funds.

As of December 31, 2024, Tier 2 held approximately 27 percent of total assets (\$382.4 million). Mr. Allen stated that Tier 2 received approximately thirty-one percent (\$6.7 million) of new contributions in the fourth quarter of 2024. Three percent of plan assets are in the managed accounts (approximately \$35.1 million).

The Tier 3 self-directed brokerage option held approximately four percent of total assets (\$50.6 million) as of December 31, 2024. Mr. Allen stated that 508 unique participants were investing through the brokerage window at the end of the fourth quarter of 2024, versus 495 as of December 31, 2023.

Mr. Duffy provided market commentary to the Committee. Mr. Duffy stated that the fourth quarter saw modest reversals across most asset classes. Political and monetary policy drove the volatility in the final quarter of 2024. U.S. stocks outperformed international markets however commodities and real estate saw modest losses due to soft global demand and increased interest rates. U.S. large cap stocks overperformed small cap stocks and growth outperformed value. Mr. Duffy stated that the outlook for fixed income remains optimistic for the 1-year and 10-year yields. Fixed income in the fourth quarter saw the ten-year U.S. Treasury yields increase from 3.88 percent in 2023 to 4.58 percent. Finally, small

cap growth saw an increase in the fourth quarter (up by 1.7 percent) and small cap value decreased by - 1.1 percent.

Mr. Duffy reviewed the economic outlook with the Committee. He stated that the Fed remains data driven going into 2025 and that interest rates may continue to come down slower than expected. He also stated that tariffs and immigration reform will continue to be monitored as they are two likely causes of inflation going into the first quarter of 2025. Mr. Duffy stated that the housing market remains affected by low volume and high interest rates and fiscal decisions from the current administration that could impact the markets.

Mr. Duffy reviewed the scorecard with the Committee. He stated that the recommendation to keep Champlain Mid-Cap Institutional remains in place. Mr. Duffy stated that stock selection relative to the peer group was the driving factor in terms of underperformance.

Investment Performance on College Investment Plan

Mr. Duffy reviewed fourth quarter performance metrics for the 529 plan. Mr. Duffy stated that total plan assets as of December 31, 2024, were approximately \$679.7 million. Approximately sixty-three percent of assets (\$428.5 million) are in the age-based options, with approximately thirty-seven percent of assets (\$251.2 million) residing in static portfolios or individual funds.

Mr. Duffy stated that a majority of assets, forty percent, are in the active age-based portfolio (\$274.4 million) and nineteen percent of plan assets are in the index age-based portfolio (\$126.9 million). Mr. Duffy updated the Committee on the level of growth for the blend age-based option. This option holds four percent of assets at approximately \$27.2 million as of December 31, 2024. Mr. Duffy stated that the three age-based options outperformed the benchmark for the quarter.

Overall, Mr. Duffy stated that performance of the funds relative to the benchmark was strong in the fourth quarter while relative performance versus peers outperformed the benchmark.

Discussion and Vote on Recommendation Regarding Watch List

Mr. Meyer led the discussion regarding the watch list with the Committee. He stated that Champlain Mid Cap Institutional was placed on watch in the fourth quarter of 2024. Currently the fund remains on watch. The Committee discussed reasons to leave the fund on watch for the near future. No action taken.

Discussion and Vote on Recommendation Regarding Committee Goals

Mr. Meyer presented the 2025 Committee goals to the Board. The Committee's outlined goals include update on the investment advisor agreement; the contribution cap for ABLE; required Board education and training; SECURE Act 2.0 provisions; legislative updates; review of the managed account service provider and self-directed brokerage providers; review of the target date fund family as the default option; and review of the deferred compensation and education savings plan investment policy statements. The Committee also discussed reviewing Delaware EARNs investment offerings prior to the program transition to the Board.

A MOTION was made by Mr. Colberg and seconded by Mr. Biddle to recommend that the Board adopt the 2025 Committee goals.

MOTION ADOPTED UNANIMOUSLY

Discussion and Vote on Recommendation Regarding ABLE Contribution Cap

Mr. Meyer led the discussion with the Committee regarding a possible increase to the plan contribution limit. Mr. Meyer referenced information from the previous meeting where he stated that currently the DE529 and ABLE plan overall contribution limit is \$350,000 and is set by the plan sponsor. The overall contribution limit for the plans is below that of their peers. The average across the industry is approximately \$500,000 for education savings plans. The DE529 plan contribution limit was adjusted in 2025 to keep pace with the industry. CAPTRUST reviewed industry limits for ABLE plans. Mr. Allen stated the contribution limit for Delaware was below its peers. Following discussion, the Committee agreed to increase the ABLE plan limit.

**A MOTION was made by Mr. Biddle and seconded by Treasurer Davis to recommend to the Board to approve raising the annual contribution amount to the ABLE plan to \$500,000.
MOTION ADOPTED UNANIMOUSLY**

Discussion and Update Regarding Investment Consulting and Advising Services RFP

Mr. Meyer updated the Committee regarding the RFP. The RFP evaluation committee made a recommendation to the Board at the December meeting that the investment consulting and advising services be awarded to CAPTRUST. The Board approved the recommendation and directed OST to negotiate and execute a new agreement.

UPDATES

SECURE Act 2.0

Mr. Meyer reviewed the applicable updates on SECURE Act 2.0. He stated that in addition to the SECURE ACT 2.0 provisions for 2025, casual/seasonal employees can contribute to the 457(b) plan as of January 1, 2025. Mr. Meyer also stated that the special catch-up option for participants ages 60-63 went into effect in January 2025 to comply with the SECURE Act. Mr. Meyer stated that the Audit and Governance Committee reviewed optional provisions under the SECURE Act and will continue to work with CAPTRUST, Ice Miller and Voya on reviewing the provisions.

Delaware EARNs

Mr. Meyer briefed the Committee on Delaware EARNs. He stated that EARNs will transition to the Board at the end of 2025. He also stated that Delaware EARNs recently achieved a program milestone by surpassing \$1 million in plan assets. Mr. Meyer further stated that Ted Griffith, Director of Delaware EARNs, recently received the State Changemaker Award at the Georgetown Center on Retirement Initiatives annual conference.

Legislative

Mr. Meyer stated that SB 20 was recently introduced to the General Assembly. This bill, if passed, will bring back the state match. He stated that the bill would allow state employees who are contributing to the deferred compensation plan to be eligible for a \$20 per pay match. Mr. Meyer also stated that if SB20 passes, it gives the Board the option to allow individuals who are contributing to their student loans to be eligible for the match.

PUBLIC COMMENT

No members of the public made a comment.

NEXT MEETING

The next meeting of the Committee is scheduled for May 13, 2025.
The next meeting of the Board is scheduled for March 4, 2025.

ADJOURNMENT

The meeting was adjourned at 11:36 a.m.

Respectfully submitted,

E-signature
Alan Colberg
Chair for the Investment Committee

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