



**MINUTES FROM THE MEETING OF
THE CASH MANAGEMENT POLICY BOARD
FEBRUARY 28, 2018**

A meeting of the Cash Management Policy Board (the “Board”) was held on February 28, 2018 at 10:00 a.m. in the main conference room of the Office of the State Treasurer (“OST”), located at 820 Silver Lake Blvd., Suite 100, Dover, DE 19904.

Board Members Represented or in Attendance:

Mr. John Flynn, Board Chair (Telephonically)
Mr. Mike Karia, Co-Chair, Investment Subcommittee
Mr. Warren Engle, Co-Chair, Banking Subcommittee (Telephonically)
Mr. Michael Morton, Controller General (Telephonically)
The Honorable Kenneth Simpler, State Treasurer
Mr. Jeffrey Bullock, Secretary, Department of State (Telephonically)
Mr. Richard Geisenberger, Secretary, Department of Finance (Telephonically)

Board Members Not Represented or in Attendance:

Mr. Dave Marvin, Co-Chair, Investment Subcommittee
Ms. Lynda Messick, Co-Chair, Banking Subcommittee

Others in Attendance:

Ms. Stephanie Scola, Director of Bond Finance, Department of Finance
Mr. Jason Staib, Deputy Attorney General, Delaware Department of Justice
Ms. Nora Gonzalez, Deputy State Treasurer, OST
Mr. Stephen McVay, Manager of Investments and Cash Management, OST
Ms. Susan Steward, Policy Advisor, OST
Mr. John Krimmel, Partner, NEPC
Ms. Jennifer Appel, Research Analyst, NEPC
Mr. Bill Zuk, JP Morgan

CALLED TO ORDER

The meeting was called to order at 10:05 a.m.

APPROVAL OF MINUTES

**A MOTION was made by Mr. Flynn and seconded by Mr. Karia to approve the minutes of the November 15, 2017 Board meeting.
MOTION ADOPTED UNANIMOUSLY**

A MOTION was made by Mr. Flynn to approve the minutes of the January 11, 2018 Board meeting.

MOTION ADOPTED UNANIMOUSLY

NEPC PERFORMANCE REPORT

Mr. Krimmel provided a review of portfolio performance and market conditions. Fixed income markets were impacted by the Federal Reserve's decision to raise rates for the third time in 2017. The 10-year portion of the Treasury curve did not move, resulting in a continued flattening of the yield curve at year's end. The liquidity managers outperformed the reserve managers in the first six months of the fiscal year due to the volatility in the short to intermediate portion of the yield curve. However, the reserve managers outperformed the liquidity managers when examining the one-year portion of the yield curve.

Mr. Krimmel provided a review of how fixed income markets might perform throughout the remainder of the fiscal year. NEPC's view is that there will be continued volatility in the markets and a small rise in the longer-dated portions of the curve. Fiscal Years 2019-2022 will see higher credit spreads as portfolios rebalance into higher-yielding securities. However, there will likely be a compression of interest spreads in the near-term.

Treasurer Simpler discussed the implication of portfolio performance in the current fiscal year and DEFAC appropriation limits.

INVESTMENT SUBCOMMITTEE REPORT

Discussion and approval of the Board Resolution 2018-01 and investment-related changes to the Guidelines

Mr. Staib updated the Board on Board Resolution 2018-01, which approves the amended investment architecture that resulted from the RFP process. These changes will necessitate a minor change to the Guidelines to remove the seven-year maturity cap of the portfolio.

A MOTION was made by Treasurer Simpler and seconded by Mr. Karia to approve removal of the seven-year average maturity duration provision in the Guidelines.

MOTION ADOPTED UNANIMOUSLY

A MOTION was made by Mr. Engle and seconded by Mr. Karia to adopt the Board Resolution 2018-01 memorializing the amended investment architecture.

MOTION ADOPTED UNANIMOUSLY

Investment Managers Transition Update

Mr. Krimmel provided the Board with a brief update on the investment manager transition. Terminated managers have ceased trading activity in their portfolios. The new investment architecture will be in place and the performance clock will begin on April 2, 2018.

BANKING SUBCOMMITTEE REPORT

Discussion and approval of the proposed Guideline changes to the methods for collateralization of State funds

Mr. Staib provided a brief update on the proposed changes to the Guidelines regarding collateralization of state funds. The proposed Guideline changes, if approved, should be approved through the APA process. The Board will need to call a special meeting in advance of the regularly scheduled May 23, 2018 Board meeting for the Guideline changes to go effective in June 2018.

**A MOTION was made by Mr. Engle and seconded by Mr. Karia to adopt the proposed changes to the Guideline regarding the collateralization of State funds.
MOTION ADOPTED UNANIMOUSLY**

Banking Structure Review Project Update

Ms. Gonzalez provided an update to the Board regarding the banking structure review. OST has received and evaluated the final recommendations made by PFM and presented the recommendations to the Banking Subcommittee. The Board engaged in a discussion about the internal and external resources that will be needed for implementation of the recommendations.

The Board engaged in a discussion about incorporating banking services contracts not directly under the purview of the Board into the banking services RFP. The Board agreed that it would be appropriate to include the P-Card program in a comprehensive RFP, rather than having the Division of Accounting conduct a separate RFP for the program. Secretary Geisenberger expressed his support for including the P-Card program in OST's RFP. The Board requested that the P-Card issue be presented at the next GEAR meeting.

Merchant Services Implementation Update

Ms. Gonzalez provided an update on the project to migrate state agency merchant services from EPX to Govolution and Bank of America Merchant Services ("BAMS"). All issues with BAMS have been resolved, and the first transactions have occurred. The Banking Subcommittee will do a post-mortem evaluation on the transition process.

PUBLIC COMMENTS

Bill Zuk from JP Morgan expressed his support for a combined RFP process.

NEXT MEETING

The next meeting is scheduled for May 23, 2018. A special meeting will be scheduled prior to the May 23rd meeting to ensure prompt approval of Guideline changes.

ADJOURNMENT

**A MOTION was made and seconded to adjourn the meeting of the Board at 11:09 a.m.
MOTION ADOPTED UNANIMOUSLY**

Respectfully submitted,

John Flynn
Chair, Cash Management Policy Board