



**MINUTES FROM MEETING OF
THE DEFERRED COMPENSATION COUNCIL
May 3, 2016**

A meeting of the Deferred Compensation Council (the "Council") was held May 3, 2016 at 9:00 AM in the Conference Room of the Office of the State Treasurer ("OST")
820 Silver Lake Blvd., Suite 100, Dover, DE 19904

All Board Members Represented or in Attendance:

The Honorable Ken Simpler, State Treasurer
The Honorable Karen Stewart, Insurance Commissioner
Mr. Ralph Cetrulo, Public Member At-Large
Secretary Thomas J. Cook, Department of Finance
Mr. Robert Scoglietti (on behalf of Director Ann Visalli, Office of Management & Budget)
Mr. Charles Campbell-King, State Employee Member At-Large

Others in Attendance:

Ms. Ann Marie Johnson, Deputy Attorney General
Ms. Nora Gonzalez, Deputy State Treasurer, Office of the State Treasurer
Mr. Michael Green, Financial Investment Program Manager, Office of the State Treasurer
Mr. Dan Kimmel, Financial Investment Program Specialist, Office of the State Treasurer
Ms. Martha Sturtevant, Office of the State Treasurer
Mr. Omar Masood, Policy Analyst, Office of the State Treasurer
Ms. Jennifer Vaughn, Controller, Department of Insurance
Ms. Rebecca Kidner, RB Kidner, PA representing Valic
Doug Gramiak, Young Conaway Stargatt & Taylor, LLP representing NTSA
Lisa Goodman, Young Conaway Stargatt & Taylor, LLP representing NTSA
Ms. Kasi Boyles, Voya Financial

CALLED TO ORDER

Mr. Simpler called the meeting to order at 9:05 AM.

APPROVAL OF THE MINUTES

A MOTION was made by Mr. Scoglietti and seconded by Mr. Campbell-King to approve the minutes from December 18, 2015, January 21, 2016, and February 3, 2016.

MOTION ADOPTED UNANIMOUSLY

PRESENTATION OF THE RECORDKEEPING RFP TO COUNCIL

Mr. Simpler reviewed the timeline of the RFP. He noted the State's Deferred Compensation Plans had not been subject to a competitive process in recent history. Mr. Simpler said there were modest changes to the IPS in 2007, and a RFI that resulted in consolidation of the 403(b) plans effective in 2009. He stated that other financial services

and investment management engagements administered by OST have routinely bid out every three to five years to review needs and service requested and to insure delivery of the highest value to users and/or beneficiaries.

Mr. Simpler emphasized that the Deferred Compensation RFP issued on August 20015 was participant focused. He read aloud for the record a portion of the RFP's Scope of Services:

“OST has two over-arching goals in selecting a Vendor/Vendors with respect to this RFP: streamlining administration of the Plans and implementing client-facing enhancements to the Plans. To achieve the first goal, OST expects possible vendor consolidation to result in reduced plan costs borne by participants and a significant reduction in State resources devoted to plan administration and compliance.”

Mr. Simpler added that as a result of limited staffing, the two Program Managers at OST have only been able to focus on administration and compliance rather than outreach, education and promotion of the Plans. He continued:

“To reach the second goal, the new Vendor/Vendors will be expected to implement a thoughtful communication/education program targeted to specific subsets of participants and eligible participants, provide cutting edge web-based tools, technology and mobile applications to allow participants to see a complete view of all retirement benefits and offer individualized assessments that will enable participants to better understand their benefits and become better prepared for retirement. Finally, to support both goals, it is the intent of OST to implement a new, streamlined investment array as part of the transition to a new Vendor/Vendors and part of its overall enhancement of the Plans.”

Mr. Simpler acknowledged and reviewed the RFP's evaluation criteria, adding that they were very thoughtfully constructed and drafted to reflect a participants' centric approach. He stated the highest score pertained to the savings of fees and costs of the Plan, and noted that the cost of the Plans is paid by the participants.

Mr. Simpler stated the second largest scores pertained to participant education and participant communication, to include; custom communication and education capabilities, branding, onsite representatives, guidance and advice tools, custom website, voice response system and call center, and commitment to customer service and issue resolution. Mr. Simpler stated that 60% of the evaluation criteria was uniquely focused on the participant.

Mr. Simpler continued a review of the remaining criteria. He stated that the scope of the vendor operations and the ability to meet the full range of requested services, would allow OST staff to delegate compliance and focus on increasing Plan participation. Finally, the Plan sponsor experience, and the vendor's history and depth of public defined contribution experience, were the final components of the evaluation criteria.

Mr. Simpler acknowledged the hard work of the Selection Committee. He asked Ms. Gonzalez to summarize and presented the formal recommendation of the RFP Selection Committee to the Council.

Ms. Gonzalez stated that the RFP Selection Committee unanimously recommended Voya Financial. She presented a memo prepared by the selection committee identifying the timeline and the evaluation components used in the process.¹ Ms. Gonzalez reviewed the scope of services and goals of the RFP. She provided an overview of each one of the components as well as the due diligence performed by the committee. Ms. Gonzalez said that

¹ http://treasurer.delaware.gov/pdfs/defcomp/transition/selection_committee_recommendation.pdf

the consultant engaged by OST, Cammack Retirement Group, arrived at the same recommendation independently and also prepared a memo with their findings.²

Mr. Cook asked about the timeline for transition and any remaining technical challenges of the conversion. Ms. Gonzalez stated that the transition would take place in sixteen weeks. Mr. Scoglietti stated that the timeline is ambitious, but added he felt confident that we would be able to meet the deadline on the technology component for the transition.

Mr. Simpler stated that two-thirds of employees are not engaged in the Plans and he was excited to implement the outreach component and increase the focus on retirement readiness.

Ms. Stewart asked for clarification on current accounts and new contributions. Mr. Simpler provided clarification and highlighted the cost savings and transparency of the consolidation.

Ms. Stewart expressed concerns regarding limiting vendors. Mr. Simpler stated that the Council's primary responsibility is its fiduciary duty to the participants.

Mr. Cook asked if communication to the education community could begin prior to the end of the school year. Mr. Simpler provided a review of the 403(b) architecture and indicated that outreach was a priority of the conversion but noted the importance of receiving support from Voya to handle potential inquiries from participants, HR managers and other stakeholders.

Mr. Campbell-King emphasized the customized outreach and communication as well as the variety of participant choice within the Voya portfolio. He stated he was confident that consolidation was the right thing to do for the participants.

PUBLIC COMMENTS

Ms. Goodman asked if state employees would be auto-enrolled in the Plans. Mr. Simpler indicated participants would not be auto-enrolled.

A MOTION was made by Mr. Cook and seconded by Mr. Campbell-King to adopt the unanimous recommendation of our RFP selection committee to award the recordkeeping services contract for each of our 457(b), 401(a), and 403(b) Plans to a single vendor, Voya Financial Group.

ROLL CALL:

- Mr. Campbell-King read aloud prepared comments:
"I am proud to be a part of this State of Delaware Deferred Compensation Plan Council and the Request for Proposal (RFP) subcommittee that is dedicated to helping eligible State employees achieve their retirement savings goals via this voluntary retirement savings vehicle. During this recent yearlong RFP process, we have spent thousands of hours reading, re-reading and comparing the proposals, and challenging the vendors during not one but multiple rounds of final presentations. We have also gathered lessons learned from other State and municipal Deferred Compensation Plan Administrators, all to make a best in class Deferred Compensation Program for our fellow State of Delaware plan participants. This is not only because it is the right thing to do, but also because we have fiduciary duty to ALL plan participants. After much consideration, I strongly believe

² http://treasurer.delaware.gov/pdfs/defcomp/transition/cammack_rfp_recommendation.pdf

that we should go with a single recordkeeper for all of the deferred compensation plans and that single record keeper should be Voya Financial. With all of the information that I have learned during this process, I believe that Voya will be our best partner to keep Delaware moving forward."

- Mr. Cetrulo thanked the Selection Committee. He noted significantly lower fees will benefit state employees' returns over many years. He stated that he approved the consolidation and selection of Voya Financial.
- Mr. Cook thanked the Selection Committee and stated he voted yes, and approved of the consolidation and the selection of Voya Financial for the benefit of all state employees. He added that he would like improved communications to help reach the two-thirds of state employees that do not currently participate in the Plans.
- Mr. Scoglietti thanked the Selection Committee. He noted a very different regulatory environment since the last RFI performed in 2007 and he approved the comprehensive changes, the consolidation and selection of Voya Financial.
- Mr. Simpler stated he supported the movement to a single recordkeeper and the engagement of Voya Financial based on the recommendations of the Selection Committee. He added that 'retirement readiness' has changed meaningfully and every state employee should be contributing.
- Ms. Stewart stated she had concerns regarding the legacy programs, but agreed that retirement readiness and outreach to increase participation was most important. She stated she approved of the consolidation and selection of Voya Financial as the new provider. She noted the importance of the fiduciary role to protect participants' interests.

MOTION ADOPTED UNANIMOUSLY

Mr. Simpler stated that OST and the DAG had the opportunity to review the contracts submitted by Voya as part of the RFP and they meet the terms and conditions. Mr. Simpler asked Ms. Johnson to confirm her review of the contracts.

Ms. Johnson provided a review of the Voya Financial contract negotiations. Ms. Johnson indicated that the contracts meet the terms of the RFP and that she was comfortable with their condition and suitability for execution. She requested the Council's approval of two separate agreements.

A MOTION was made by Mr. Cook and seconded by Mr. Campbell-King to approve entering into the Master Trust, the Custody and other ancillary agreements with Voya Financial (and/or its affiliates), and grant authority from the Council to the Treasurer's Office to execute the drafted agreements on behalf of the Council.

MOTION ADOPTED UNANIMOUSLY

OLD BUSINESS

Ms. Stewart reviewed her research on Voya Retirement Insurance and Annuity Company ("VRIAC"). She stated the company has an AM Best rating of A and has remained stable over the last five years. She said Voya's Risk Based Capital (RBC) ratio was reported well above action levels which is desirable in the business of insurance. She stated she was very comfortable with VRIAC's financial statements and ratios.

ADJOURNMENT

A MOTION was made by Mr. Campbell-King and seconded by Mr. Cook to adjourn the meeting at 10:19 AM.
MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

The Honorable Ken Simpler, State Treasurer
Co-Chair for the Deferred Compensation Council

The Honorable Thomas J. Cook, Secretary of Finance
Co-Chair for the Deferred Compensation Council