



State of Wisconsin
Department of Financial Institutions

Scott Walker, Governor

Jay Risch, Secretary

**MINUTES OF COLLEGE SAVINGS PROGRAM BOARD'S
INVESTMENT ADVISORY COMMITTEE**

A meeting was held at the Department of Financial Institutions, 4822 Madison Yards Way, Madison, Wisconsin, on Wednesday, August 22, 2018 at 10:00 a.m.

August 22, 2018 -- 10:00 a.m.

Minutes

I. Call to Order and Roll Call at 10:25 a.m. (Rob Kieckhefer, Chair)

MEMBERS PRESENT: *Rob Kieckhefer, Michael Wolff, and Derek Drummond.*

OTHERS PRESENT: *Paula Smith, Shirley Yang, Bernie McCrossan, Glenn Friedman, Vivian Tsai, Catherine Burdick, Greg Reiman, Jessica Fandrich, Halvard Kvaale (phone), Paul Zemsky (phone), and Jim DiUlio.*

II. Agenda Approval and Public Posting Report Motion to approve agenda by *Drummond*, second by *Wolff*. Motion carried. Staff reported that the meeting has been posted properly.

III. Approval of Minutes for February 28, 2018. Motion to approve minutes by *Drummond*, second by *Wolff*. Motion carried.

IV. Old Business None today.

V. New Business

a. Second quarter 2018 Investment Review

Kieckhefer began the discussion of the markets and investment performance since we last met. He still remains concerned with the multiple interest rate increases from the Fed and their effect on the fixed income investments in the plans. He reviewed his recent experiences with stable value and other insured funds. A short discussion followed, comparing these funds with the TIAA Principal Plus funding agreement in both plans. *Zemsky* and *Friedman* added insight from their

perspectives as well. *DiUlio* said that the Wisconsin Deferred Comp 457 plan is currently re-evaluating some of its' interest-only investments; they would be willing to share collected data with us.

Discussion then moved to the underlying funds for Tomorrow's Scholar that have been on the Watch List since February. *DiUlio* presented and discussed a dashboard report he prepared, tracking the investment performance of the offered portfolios and underlying investments for each plan. In addition to the relevant benchmarks, the report highlighted falling into the third and fourth quartile for trailing 3- and 5-year performance. The layout and data is similar to those the Committee has received from the outside investment consultants. The benefit of time has moved some of the Watched funds up to the third quartile.

Smith then began the investment report from the Voya team, highlighting asset growth of the Tomorrow's Scholar plan. *Zemsky* and *Kvaale* continued with investment data. Continuing their evaluation of the CBRE Clarion Global Real Estate Fund, *Kvaale* outlined their process: After a challenging 2016 with style headwinds, CBRE Clarion developed a quant group to identify areas of improvement, and implemented a plan in May 2017. In Voya's opinion returns have not materially improved. They have lagged similar strategies and benchmarks by 200 bps, and CBRE Clarion's other market strategies have been similarly challenged. Voya is recommending replacing the fund with Brookfield Global Listed Real Estate I, or as an alternative Deutsche Global Real Estate Securities I.

The Brookfield fund is the preferred one, he continued, due to its Relative Value style, and better Active Share, Information and Sharpe ratios, and upside capture. Brookfield is large and respected player in the institutional markets, *Drummond* added. The Brookfield fund would replace the CBRE Clarion fund in the age-based multi-fund portfolios and investors in the single fund option would be mapped to Voya Mid Cap Value Fund. *Smith* said that Voya is prepared to make the moves in October, following notice to be sent with the September 30 statements. The Voya team, reflecting on the longer-term performance of the funds on Watch, asked the committee to remove them from the list, based on improved numbers. Short discussion by the committee followed.

Motion by *Drummond*, second by *Wolff* to wait on taking action of the recommended fund replacement, and the removal of investments on the Watch List, until the outside investment consultant is on board for assistance. Motion carried.

b. Watch List update, recommendations to Board No recommendation to the Board.

c. Preparations for Morningstar Inc. interviews for both plans on September 18.

Fandrich and *Yang* shared information with the group regarding the program's interviews regarding the plans at Morningstar's Chicago office, September 18. This year's format will schedule both Wisconsin plans interviews on the same day. Board members *Kieckhefer* and *Drummond* will be included in the presentation team.

VI. Announcements

- a. Education, conference, and training opportunities for Board and Committee members. Staff will keep members informed as events are scheduled.
- b. Next regular meeting is scheduled for November 28, 2018, here at the new Hill Farms state office building

VII. Adjournment

Motion by *Wolff*, second by *Drummond* to adjourn at 11:35 a.m. Carried.