State of Wisconsin
Department of Financial Institutions

Tony Evers, **Governor** Kathy Blumenfeld, **Secretary**

MINUTES OF COLLEGE SAVINGS PROGRAM BOARD

A meeting was held at the Department of Financial Institutions, 4822 Madison Yards Way, Madison, Wisconsin, on Wednesday, May 29, 2019 at 9:00 a.m.

MINUTES

MEMBERS PRESENT: *Rob Kreibich, Secretary Kathy Blumenfeld, Kim Shaul, Bill Oemichen, Sean Nelson, Jim Zylstra, Cassandra Krause (for Rolf Wegenke), and Derek Drummond. Senator Alberta Darling* excused absence.

OTHERS PRESENT: Matt Lynch, Felicia Bennett, Steve DiGirolamo, Catherine Haberland, Susie Bauer, Paula Smith, Glenn Friedman, Catherine Burdick, Michael Wolff, Jessica Fandrich, Cheryl Rapp and Jim DiUlio.

I. **Call to Order and Roll Call** – *Bill Oemichen* called the meeting to order at 9:03 a.m., with a quorum present.

II. **Approval of Agenda** – The agenda was received, and staff reported that the meeting notice and agenda have been properly posted. *Oemichen* then asked all present to introduce themselves.

III. **Election of 2019 Officers** – The gavel was turned over to *DiUlio* for the purpose of election of Board officers. *Zylstra* nominated *Bill Oemichen* for re-election as Chair. There were no other nominations. All vote aye. Gavel turned back to *Oemichen,* who opened nominations for Vice Chair. *Zylstra* nominated *Kim Shaul* for re-election as Vice Chair. There were no other nominations. All vote aye. Motion by *Zylstra,* second by *Nelson* to record unanimous ballots, carried.

IV. **Approval of Minutes** – of February 27, 2019 meeting minutes. Motion by *Zylstra,* second by *Blumenfeld* to approve the minutes, carried.

V. **Administrative Reports**

A. **Board Chair Comments** – *Oemichen* noted that *Rob Kieckhefer's* term as a member of this board expired earlier this month and that we appreciate his nearly six years of service as a Member, and more recently as Chair of the Investment Advisory Committee. Staff reported that a plaque expressing thanks

In news from other 529 programs, both Utah and New York ($15 and $25 bn) have gone full bilingual, English-Spanish, to include call centers along with marketing and enrollment materials. Other state 529s are looking in the same direction, at least with outreach materials to various communities. And Virginia, one of the remaining states with a prepaid tuition plan, will be closed to new accounts after 22 years. They will reorganize as a tuition unit contract plan, similar to what Wisconsin did in 1996.

Outreach activities continue, concentrating on both reaching young families and initiating payroll contributions to 529 through the workplace channel. Planning has already begun for the fall season with retired and senior groups, financial planning professionals, and the busy benefit fair season.

VI. Investment Consultant comments

Felicia Bennett of Wilshire Associates began her comments reporting the investments in the first quarter were very strong, recovering from a dismal fourth quarter last year. She then did a market overview, detailing key data and charts to illustrate what has happened. *Steve DiGirolamo* then continued with detailed information for each plan, showing a 'batting average' comparison of our plan portfolios to the greater 529 universe. Then more granular data illustrated how our portfolios performed over various time periods—the important news is all of them are positive, meaning that children at all age groups benefit.

He then showed a number of visual presentations Wilshire uses to identify key data in their analysis of portfolios and underlying funds for both plans.

DiGirolamo then discussed a recent Wilshire visit with BlackRock managers regarding their global allocation strategy. While some staff had left, the reconstituted team will likely be stronger, notably in the fixed income area.

Discussion among the group was prompted by the observation that the advisor plan age-based track received greater use than the direct plan tracks. Whether it was advisor guidance, investors choosing to chase more aggressive returns, or carryover from the previous fund lineups, all felt it bears watching.

Regarding the eligibility of underlying investments for Watch List status, *DiGirolamo* noted that no current Edvest funds qualify. For the Tomorrow's Scholar plan, three funds are on the current list: Voya Large Cap Value, Columbia Dividend Opportunity, and BlackRock Global Allocation. Wilshire recommends retaining Voya Large Cap and Columbia Dividend Opportunity in the plan and removing both from Watch. They also recommend retaining BlackRock Global Allocation, but maintaining Watch for further analysis.

from DFI and the Board has been sent to him. *Oemichen* also expressed thanks for *Michael Wolff*, who served on the original Wisconsin CSP Board and through nineteen years of continued service and counsel through his leadership at DOA.

He also thanked *Secretary Blumenfeld* for her interest and support in the program as she settles into role as a member of the board.

B. <u>Department of Financial Institutions</u> – *Secretary Blumenfeld* took note of today's date, because we are meeting on national 5-29 Day. She shared the recent Proclamation issued by Gov. Tony Evers, honoring the program, board, and higher education partners in the state for 22 years of success on this special day.

Her day began with an hour-long interview on the Wisconsin Public Radio network at 6 a.m. The show focused on education, savings, and questions from callers. She also shared some recent outreach experiences, and the tie-in with financial literacy and education.

C. <u>Program Director Comments</u> In brief, *DiUlio* stated that there have been no communications to the Board to report, or proxy votes taken since our last meeting. As the plan managers will present later, we see increasing account averages in both plans, and Tomorrow's Scholar plan hit a milestone of $2 billion of assets under management. He recalled that the Board reduced the state administrative fee on that plan last September, due in part to increasing assets. These funds are deposited with the State's Investment Fund—also called SIF—now paying 2.49% on an annual basis. For many years the yield was less than half a percent.

There is some good news from Congress. Last Thursday, the House passed the SECURE Act, 417 to 3. It deals mostly with retirement plans. But in addition, the Act includes some expanded uses of 529 plans for job apprenticeship programs, expands the K-12 tuition use to also include the definitions in Section 530/Coverdell Education Savings Accounts, and also authorizes the use of leftover money for the repayment of student loans up to $10,000. Including this language in the bill was accomplished through the joint efforts of many of us in the 529 industry and related investment groups—CSPN, NAST, CSF, SIFMA, ICI, and others. The bill moves to the Senate, where there also appears to be a mix of bipartisan support. The changes may become effective yet in 2019.

The MSRB, our primary regulator, has been quiet on 529 regulations and comments lately, focused on their other charge—municipal bonds.

The US Securities and Exchange Commission continues gathering information regarding public disclosure, including 529s and mutual funds. They are asking about alternate formats—languages other than English, also Braille and audio. Speaking with staff from the MSRB, *DiUlio* reported, this topic is not currently on their agenda, but they are watching the SEC as well.

He then referred to data presentations showing that the large value category has been out of favor recently, but has outperformed growth strategies over time. He then went through snapshot analyses of the three funds, including benchmarking, measuring risk relative to returns, and continued performance below a stated benchmark. Discussion then reviewed the various value strategies, multi-asset portfolios, and watch criteria.

The Chair then reviewed Wilshire Consulting's recommendation for the three funds but sensed the group had varied opinions. Asking for consent, and receiving no objection, there will be separate discussion and votes on each fund's status.

First, the Columbia Dividend Opportunity fund to be removed from Watch List status. Motion by *Nelson*, second by *Drummond* to remove from list. All aye, carried.

Retain BlackRock Global Allocation on the Watch List and continue observing. Motion by *Blumenfeld*, second by *Drummond* to retain this fund on Watch. All aye, carried.

Remove Voya Large Cap Value from Watch List status. Motion by *Nelson*, second by *Drummond*. Tie vote 4-4. Motion fails.

As a result, Voya Large Cap Value will remain as the one Watch Listed fund.

VII. Program Manager Comments

A. **TIAA** *Shirley Yang* reported that the Edvest plan finished the first quarter with $3.3 billion in assets, an increase of 9% over last year. Similar increases took place in enrollments and other metrics. These match the larger 529 landscape, including the larger programs. Inbound rollovers were twice as large as those outbound. A short discussion on rollover statistics, along with demographic data on current account owners, followed.

Catherine Burdick shared highlights of marketing activities related to 5-29 Day. The statewide research project is also going well, providing insight how to best reach all families in the state. Results will help direct future efforts. She also reported statistics on the core and other campaigns in progress.

B. **Voya** *Paula Smith* reported that Tomorrow's Scholar also did very well in the first quarter. Sales were steady, a bit behind 2018 numbers but on a par with 2017. A wide range of broker/dealers continue to support the plan, both in Wisconsin and nationwide, with in-state assets and accounts both up 8%. The RIA channel continues to grow with incoming rollovers. She also highlighted success with the plan's convertible C shares and employer contribution portal.

Other activities included the annual March Madness campaign and 5-29 Day webinars and support for advisors. With their retirement clients, Voya is exploring student debt relief in light of a recent employer benefit tax ruling. Along with 529, it is part of the company's holistic effort working with retirement plan clients.

The plans' annual allocation adjustments were smoothly completed on February 1. And Saving for College just ranked Tomorrow's Scholar plan #6 among advisor plans for five-year performance.

VI. **Old Business** – None.

VII. **New Business**

Discussion and Dissolution of the Investment Committee *Oemichen* provided background of the earlier need for the Investment Advisory Committee. At that time, additional investments classes were being considered for the plans. The committee worked through the lengthy discussions and presentations, reporting back to the board. Now, with the current investment lineups, that screening work may no longer be needed. *Sec. Blumenfeld* added that her initial observation was repetition between the two meetings, and in the interest of time, the oversight could be done with one less meeting. Discussion among the group agreed. Motion by *Shaul*, second by *Drummond* to terminate the Investment Advisory Committee. All Aye, carried.

VII. Announcements – The next meeting will be August 28, 2019, 9:00 a.m., at the Hill Farms State Office Building on Madison's west side. The SWIB Annual Investment Conference is coming up on June 12 at Monona Terrace. All Board members are welcome to attend.

VIII. Adjournment – The meeting was adjourned at 11:52 a.m.