



PO Box 7864  
Madison WI 53707-7864

## Wisconsin College Savings Program Board

T 608-264-7899  
F 608-266-7645  
edvest@ost.state.wi.us

### College Savings Program Board Investment Advisory Committee Meeting

State of Wisconsin Department of Administration Building  
101 E Wilson Street; Madison, Wisconsin

May 20, 2013 -- 10:00 a.m.

#### Minutes

- I. **Call to Order and Roll Call** at 10:00 a.m. (Ken Johnson, Chair)  
Present: Ken Johnson, Bill Oemichen, Rob Kieckhefer (at 11:15), Annoesjka West, Kerry Alexander, Ed Mihallo, Chris Lynch, and Jim DiUlio
- II. **Agenda Approval and Public Posting Report** (Chair, staff) Meeting has been posted properly. Agenda approved by voice vote.
- III. **Approval of Committee Meeting Minutes for February 11, 2013** Motion by Johnson, second by Oemichen to approve the minutes. Carried.
- IV. **Public Presentations** None requested
- V. **Old Business**
  - A. **First Quarter 2013 Investment** [Callan Associates] *Annoesjka West* stated that with just a few months of activity, it is hard to see any trends in the plan portfolios' investments. However, the first quarter economy was good on many fronts. Consumer confidence was up and the dollar became stronger. Non-US markets were weaker, but still in positive numbers. Her initial reactions to the new portfolio lineups were generally good. Some were a bit below benchmark for the one quarter, but most were in positive territory. With more quarters of experience, the analysis will become better.
  - B. **Watch List, Recommendations** Since the plans are new, there are no triggers or reasons to recommend any portfolio to a Watch List status. There have not been any significant investment events according to *West* and *DiUlio*, other than the large ING/Voya proxy votes on the name changes.
  - C. **Investment Policies and Procedures document** – Staff will ask TIAA-CREF and ING again for any comments or additions.
- VI. **New Business**



**A. Edvest plan highlights**

*Ed Mihallo* of TIAA-CREF TFI took the group through the new Edvest portfolios, adding insight to particular upgrades including the nine bands in age-based tracks and the inclusion of equity exposure in the later ages of the multifund portfolios. He also discussed the effects of the interest markets in relation to the risks.

TFI uses a 529-unique model that includes inflation of college expenses, GDP, CPI, market returns and other factors. They use Ibbotson data and review the flows. Currently, the model indicates about 5% inflation. There is also data available through the various college cost calculators for both client and professional use.

He also reviewed the Principal Plus portfolio, an insured portfolio choice that is a subset of the TIAA-CREF general account in direct contribution retirement plans, and includes REITS, inflation-sensitive and high-yield bonds, along with the high grade issues. Currently, the guaranteed rate to the account owner is 1.25%. He then talked about the open architecture active-based portfolios that add DFA and PIMCO funds to the T-C mix.

Discussion continued with the group around the glidepaths, composition of bond portfolios, is there too many choices, and forecasts for the long term.

- B. Recent Morningstar White Paper.** This year, Morningstar still will rate 529 individual plans in the fall, but just published a broad overview report on the industry. Wisconsin's plans were mentioned favorably in passing, referring to upgrades since last year's report. Interviews will be scheduled with them later this summer, and *Mihallo* will be leading the TFI effort there in Chicago.
- C. ING Proxy Votes** – All went well, ratifying the name change to Voya and reelecting the directors for the numerous funds and share classes. Within Tomorrow's Scholar, there were 157 positions, controlling 110+ million shares, about one billion dollars. All told, it took about two hours to enter the computer codes and confirmations.
- D. Update on Edvest Bank CD portfolio Assets** continue to remain about one-third placed in certificates, the rest in cash. Reports from banks still report a low demand for loans and need for deposits. *DiUlio* will watch the situation in the event of any sudden changes.

**VII. Discussion Items for Future Committee Meetings** - The committee will invite the ING multi-asset portfolio (MASS) investment leader, if available, to discuss the Tomorrow's Scholar fund lineup. Also discussion will start in both plans about manager visits to Wisconsin later.

**VIII. Announcements** The next meeting will be August 19.

**IX. Adjournment** Motion by *Oemichen*, second by *Kiekhefer* to adjourn. Carried. The meeting was adjourned at 12:05 p.m.