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Wisconsin College Savings Program Board

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College Savings Program Board Investment Advisory Committee Meeting

State of Wisconsin Investment Board (SWIB) Building
121 E. Wilson Street, Second Floor; Madison, Wisconsin

February 11, 2013 -- 10:00 a.m.

Minutes

- I. **Call to Order and Roll Call** at 10:00 a.m. (Ken Johnson, Chair)
Present: Ken Johnson, Debbie Durcan, Rob Kieckhefer, Michael Wolff, Annoesjka West, Kerry Alexander, 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 November 12, 2012** Motion by Wolff, second by Durcan to approve the minutes. Carried.
- IV. **Public Presentations** None requested
- V. **Old Business**
 - A. **Fourth Quarter 2012 Investment Review in Brief**, [Callan Associates] *Annoesjka West* presented a summary version of the current plans' portfolios, based on just a few weeks of operation since the October change. The usual portfolio and fund research books, with graphics, will resume with the first quarter. Domestic markets for the period were preoccupied with fiscal cliff concerns, and the underlying plan funds were slightly positive for the quarter. Fixed income and European equities performed very well in comparison. Based on the limited period, the investment portfolios were slightly positive. She also shared information provided by ING U.S. Investment regarding the upcoming IPO and their timeline of related events. As part of ING U.S.'s planned separation from the parent company this year, there will be more details coming soon.
 - B. **Watch List** The group discussed how to handle the Watch List process while the portfolios have a short performance history. The Watch process is typically designed for longer-term measurements. *Kieckhefer* wanted a way to respond quickly to a quicksand situation. *Johnson* added that DB plan Watch Lists are less rigid in responding to situations, often taking many quarters to act, but we should be able to act quickly. To address the situation, it was suggested that *West* and *DiUlio* review the portfolios and funds every 45 days instead of quarterly, looking for changes in

performance or other issues that may be of concern. This would also include looking back to fund performance prior to the October transition. This 'annualized' performance will also be incorporated into the Watch process for a time.

- C. **Investment Policies and Procedures document** – The document has been in draft form during the past year while program transitions have occurred. *Johnson* asked *DiUlio* to check with TIAA-CREF and ING staff for any final input, prior to the next meeting.

VI. **New Business**

A. **Economic Environment and Capital Markets Review**

West took the committee through the lengthy report prepared by Callan Associates. Highlights included the sense of policy uncertainty continuing into 2013 from last year. While reviewing broad equity market returns, both the five- and fifteen-year numbers are lower than the more normal ten-year benchmarks. Fixed income, however has been a surprise over equities for the fifteen-year period. There may be some positive signs from Europe, but the likely outcome for 2013 and beyond will be continued modest growth. She then discussed Callan's expectations by segment for the year, all with lower returns across asset classes. She finished with some expected returns from different asset mixes.

- B. **Flows among the plan portfolios, post transition** While there has been some movement among the portfolios (other than the Edvest-Advisor accounts mapped to Tomorrow's Scholar), no significant trends are seen.

- C. **Update on Edvest Bank CD portfolio** The portfolio continues to have difficulties matching invested greater assets with available bank certificates, resulting in a large cash position. TIAA-CREF's team will investigate.

- ## VII. **Discussion Items for Future Committee Meetings** - The committee discussed the value of inviting managers to speak with the group on an informational basis or to address specific issues of performance or management. We will invite TIAA-CREF's designer of the age-based tracks to the next meeting.

- ## VIII. **Announcements** The next meeting will be May 20.

- ## IX. **Adjournment** Motion by *Wolff*, second by *Durcan* to adjourn. Carried. The meeting was adjourned at 11:40 a.m.