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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

November 12, 2012 -- 10:00 a.m.

Draft Minutes

- I. **Call to Order and Roll Call** at 10:10 a.m. (Ken Johnson, Chair)
Present: Ken Johnson, Debbie Durcan, Michael Wolff, Annoesjka West, 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 May 14, and August 13, 2012** Motion by Johnson, second by Wolff to approve the minutes. Carried.
- IV. **Public Presentations** None requested
- V. **Old Business**
 - A. **Third Quarter 2012 Investment Performance Reports, Watch List discussion**
[Callan Associates] *Annoesjka West* began her remarks with general good news in all sectors of the equity markets, both domestic and international, as well as fixed income markets. The housing market has bottomed out and job numbers are better. Unemployment has been lower through the quarter. The S&P could see a very good return by year-end, but Japan still struggles.

Turning to the plans, Tomorrow's Scholar has seen a drop in assets. It may be unique to the ages of participants entering college years. The Columbia Marsico and Wells Fargo Capital Growth funds continue to struggle. However, the team at Harbor continues to do well. Most of the Edvest portfolios are performing above peers. The two balanced portfolios from Wells Fargo and Vanguard are hard to compare; while Wellington may be missed by some, its performance lately has lagged.

For information, *West* briefed the committee on Vanguard Funds' recent decision to move away from the MSCI family of indices and adopt the CRSP (University of Chicago) indices. The cutoff points between categories will change slightly for mid and small cap indices, and some sector weightings will be affected. The transitions will take place in early 2013. Other fund families have not announced similar changes in index providers.



With regard to the Watch List process, Callan recommends naming two additional underlying funds to the list, and keeping the current four funds watch-listed following the first quarter of the year. Although the investments have disappeared in the October 26 plan transitions, the committee agreed that the process is valuable for the record and will make the Watch List recommendation to the Board.

DiUlio added that there has been one change to the Tomorrow's Scholar lineup since the Committee and Board reviewed the proposed investments in August. The Fidelity Advisor New Insights Fund will not be one of the single fund options. Fidelity's agreement with another state's 529 program would not permit its inclusion. In dropping the option, staff decided against substituting a similar ING fund, since the attraction was the Fidelity manager who also handles Contrafund.

VI. New Business

A. Investment-related items during transition of plans

DiUlio reported no problem events the period surrounding the October transition at the plan or institutional levels. A number of practices and testing procedures throughout the summer helped insure a seamless process. The two-day blackout period was more than sufficient to effect transactions between managers. Wells Fargo Funds Management staged the liquidation of some Vanguard funds over a few preceding trading days, adding stability to the process. State Street, BFDS, and BNY Mellon were able to move the accounts as planned following the close of business October 26, and by 6 p.m. October 27, the process was complete. While the investments were ready to go on Monday, the markets did not open for two days due to the serious storms in New York. The contingency plans prepared by both old and new program managers worked well. In addition, there were no difficulties in transferring the Edvest Bank CD portfolio, the money markets in both plans to the insurance company guaranteed portfolio, or the recordkeeping functions related to the Tuition Units accounts.

B. Morningstar and Savingforcollege.com ratings

Both ratings services for consumers have published updated Edvest and Tomorrow's Scholar plan information on their sites, *DiUlio* reported. However, the old performance history will be lost from view. There may be some monthly updates, but both services will likely wait until April, following the first quarter's numbers. Morningstar's annual white paper will come out in early 2013. Based on conversations with both companies, he added that there was interest in the broader investment choices and lower fees with the new lineups.

VII. Discussion Items for Future Committee Meetings - The committee will ask both TIAA-CREF and ING to continue our practice of portfolio manager visits.

VIII. Announcements The next meeting will be February 11.

IX. Adjournment The meeting was adjourned at 11:20 a.m.