



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

MacArthur Conference Room (#1018)
101 E. Wilson Street, Tenth Floor; Madison, Wisconsin

May 14, 2012 -- 10:00 a.m.

Draft Minutes

- I. **Call to Order and Roll Call** at 10:05 a.m. (Ken Johnson, Chair)
Present: Ken Johnson, Michael Wolff, Rob Kieckhefer, Doug Hoerr for Debbie Durcan, Bill Oemichen (joins at 10:30), Annoesjka West, Karen McKechnie, 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 13, 2011** Motion by Wolff, second by Kieckhefer to approve the minutes. Carried.
- IV. **Public Presentations** None
- V. **Old Business**
 - A. **First Quarter 2011 Investment Performance Reports** [Callan Associates]
Annoesjka West began with an overview of the latest format of Callan's reporting materials for the committee and board. Members discussed the improvements. *West* continued with general comments on the first quarter, noting that the markets did show some signs of improvement coming out of the earlier months. Elections outside the US also have made the markets uncertain. She sees continued volatility in both equity and debt areas. Growth stocks have outperformed value stocks. Emerging markets have also outperformed recently. On the bond side, corporates seem to be doing well.

Assets in both plans are up nicely, due to the recent increase in equities. It has been a nice quarter for all the portfolios and standalone funds, meeting or exceeding their benchmarks. The underlying funds show some individual differences on the charts when compared to peers, but overall they are above benchmarks for the quarter. As with the portfolios, one- and three-year performance is not as bright. Net of program fees, the investment benchmarks are met, but it is mixed with the broader peer groups.



Members discussed the Vanguard Balanced portfolio (Wellington), regarding investment mix and recent underperformance of its own benchmarks. They also discussed the international index portfolio composition and emerging markets components. Benchmarks capture different sets of countries.

- B. **Watch List Update, Review, Recommendations to Board** [Callan, staff] *Karen McKechnie* reported on Callan's review of the current watch list prepared by Evaluation Associates. They recommend a change to the eligibility criteria to better reflect current practices, with a longer view of investment performance. *Johnson* said that with pension management, the five-year numbers carried greater weight. *Hoerr* added some thoughts from UW's investment practices. *Johnson* added that it likely that most if not all the current fund choices could be replaced in October with a new program manager. However, we should proceed with the process. Copies of the proposed changes, along with the current conditions to trigger a watch status, will be presented to the board's meeting later today.
- C. **Recommended changes, additions, or deletions** – [Callan] – *McKechnie* presented four funds that have become eligible for the Watch List, under both the current and proposed criteria: EdVest plan, Wells Fargo Advantage Capital Growth Fund and Wells Fargo Advantage Diversified International Equity Fund; Tomorrow's Scholar, Columbia Marsico Growth Fund and Wells Fargo Advantage Capital Growth Fund. Discussion followed. Motion by *Oemichen*, second by *Wolff* to recommend to the board to place these four funds on the Watch List. Carried.

Discussion continued regarding new portfolios likely from the new program manager. How does the performance history fit? *West* said the policy allows the board to consider other factors. *Kieckhefer* added that some funds such as Marsico are volatile just because they hold few companies. The RFP process asked for 1, 3, 5, 7 and 10-year histories of underlying funds, *Wolff* said, providing added information if needed. Motion by *Oemichen*, second by *Wolff* to recommend to the board the revised criteria to trigger inclusion in the Watch List.

West reported back on Callan's work a redline edit of the broader Investment Policy and Objectives document. As a work in progress, especially in light of the program manager transition, discussion will continue.

VI. **New Business**

- A. **Saving for College.com and Morningstar reports in 2012** [staff] *DiUlio* said each commercial service will likely show little or no data for our plans after the transition in October until a few quarters of history are available. California's direct plan received an upgrade from Morningstar in anticipation of their change last year.
- B. **Investor Education during program manager transition.** [staff] Wells Fargo and DOA staff have discussed communications with existing EdVest and Tomorrow's Scholar account owners in anticipation of the transition. The new manager will be included in the plan to keep all informed as permitted by the securities rules.

- VII. **Discussion Items for Future Committee Meetings** - *Johnson* asked for comments regarding the Investment Policy document before the August meeting. The committee also would like to continue portfolio manager visits.

VIII. **Announcements** None

IX. **Adjournment** The meeting was adjourned at 11:45 am.