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## Wisconsin College Savings Program Board

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### College Savings Program Board Investment Advisory Committee Meeting

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

**February 13, 2012**  
**10:30 a.m.**

#### Minutes

- I. **Call to Order and Roll Call** at 10:35 a.m. (Ken Johnson, Chair)  
Present: Ken Johnson, Doug Hoerr (for Debbie Durcan), Bill Oemichen, Michael Wolff, Rob Kieckhefer, Sarah Henriksen (by phone), 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 August 8 and November 14, 2011**  
Motion by Oemichen, second by Wolff to approve both sets of minutes. Carried.
- IV. **Public Presentations** None
- V. **Old Business**
  - A. **Fourth Quarter 2011 Investment Performance Reports** [Callan Associates]  
*Annoesjka West* began her presentation with data from Callan's Capital Markets Review, and highlights of the active-managed asset classes for the quarter. Citing a number of examples, she said the markets are reacting to multiple events, creating volatility in the short term. The Fed has done most of what it can do. Interest rates are expected to rise at some point, but it could be three to five years out. The housing market is still an issue. Currencies still look to the dollar as the safe haven. For another year, capital market expectations have come down again.



The committee discussed what this means for current investors, whether we or other 529 plans may need to modify portfolio mixes or glidepath construction in light of lower return expectations. This will also be a concern when the next program manager proposes investments for the plans.

*Karen McKechnie* then went through a color-coded chart incorporating the investment portfolio returns for both plans, along with benchmarks, risk measures, consistency, and excess return for various periods. Each point is coded green-yellow-red, based on peer comparisons and other adjustments. She then reviewed the supporting tables and graphs. The committee discussed the format and all agreed that it would be helpful for both the committee and board meetings.

In reviewing the recent and longer performance of the underlying portfolios, the committee agreed that nothing had occurred during the previous quarter to warrant a warning or watch notice for any of the investments at this time. The watch list format will be discussed at a later meeting.

Prior to discussion of updating the Investment Policy Statement, *Johnson* reviewed the history of the current two-year-old document. Prior to that, there had been no document explaining the relationships of all the entities with the College Savings Program. *West* shared initial observations in memo form. She suggested some clearer terms and definitions. *Henriksen* added that the CD portfolio references need specific language. The references to the state treasurer's office will be changed. Since this not an endowment or direct benefit plan, *West* suggested some of the existing language could be deleted to reflect that investors choose their own investments. The duties and responsibilities section could become more general since the pooled funds are governed by prospectus. *Wolff* explained the statutes and municipal securities aspect of the program for both operations and definitions, and *Johnson* reminded all that the Board and committee's role is advisory with regard to the program manager's activity.

In response to questions, *West* said that many policy statements are more detailed than this, but she prefers broader language except in situations such as the mapping process for replacement investments. *DiUlio* mentioned that another 'Investment Policy' document exists, i.e. the list of currently-offered investments, with the weighting of the underlying portfolios and benchmarks. It grants authority to the program manager to offer these investments, and had been signed by the State Treasurer, now the DOA Secretary. *West* said the document would fit in as an appendix to the broader policy statement. More work will be done on suggested edits to the current statement and will be discussed at the May meeting.

- B. **Watch List Update, Review, Recommendations to Board** [staff] None
- C. **Recommended changes, additions, or deletions** – None

## **VI. New Business**

- A. **Saving for College.com and Morningstar reports in 2012** [Chair, Wells Fargo, staff]  
*DiUlio* reported the Saving for College first quarter plan ratings were published last week and again we placed well, as in the last four quarters. Both advisor plans scored in the top ten for all periods, including three firsts and the direct plan was in the top ten for three- and five-year periods. It is a good reflection of Wells Fargo's portfolio construction for consistency of performance, and it helps with public

awareness. *Johnson* suggested that the committee invite SFC's Joe Hurley to a committee call. The group briefly discussed the ratings methods Morningstar and Saving for College appear to use. Until the next program manager is selected, this item is on hold.

- B. **2012 meeting schedule** The committee discussed scheduling this meeting on the same day as the full board. Earlier practice had the meeting a week before the board meeting, often to work on specific issues. Agreement to meet at 10 a.m. on the same day for the rest of the year, although telephone conferences could be used if needed.

**VII. Discussion Items for Future Committee Meetings** None

**VIII. Announcements** None

**IX. Adjournment** The meeting was adjourned at 12:00 noon.

**NOTE:** *The Committee may recess into closed session, pursuant to the exemptions contained in s. 19.85(1)(e), Wis. Stats. for deliberation of investment of public funds or other business where competitive reasons are an issue.*