



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

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### **College Savings Program Board Investment Advisory Committee Meeting**

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

**February 21, 2017 -- 9:00 a.m.**

#### **Minutes**

**I. Call to Order and Roll Call** at 9:10 a.m. (Rob Kieckhefer, Chair)

Present: Rob Kieckhefer, Michael Wolff, Annoesjka West, Shirley Yang, Paula Smith, Josh Dennin, Paul Zemske, Jeremy Thiessen, Glenn Friedman, Michael D'Andrea, and Jim DiUlio.

**II. Agenda Approval and Public Posting Report** (Chair, staff) Meeting has been posted properly. Motion to accept agenda by Wolff, second by Kieckhefer, carried.

**III. Old Business**

- A.** Proposed changes to Tomorrow's Scholar plan's underlying investments for 2017, prepared for 2017. Paul Zemske reviewed Voya's recommendations, noting some changes since first proposed for the cancelled December meeting. The market environment has changed slightly and Voya's updates include that information.

Changes include a 5% equity reduction in the 13-14 age-based portfolio, to related better to peers, a 10% increase in equity allocation in the Conservative Risk-Based Portfolio, also related to peers. Addition of commodities in the multifunds for diversification, moving to a neutral position between large cap growth and large cap value to manage equity risk, and managing duration to neutral to lower than peers to manage sensitivity to interest rates.

Also recommended was removing the Voya Global Bond fund from the strategic asset allocations, and removing VY Templeton Foreign Equity Option as a single fund choice; those asset will be mapped to Voya Multi-Manager International Equity Fund. As a plan decision, the move will not count as an account owner's one of two changes allowed each year.

While fees will be reduced in most portfolios, it was requested that a weighted average be calculated for the existing accounts. A few questions were asked to clarify some of the individual percentage changes within the age-based grid.

- B.** Shirley Yang and Jeremy Thiessen then presented the February updated version of the Edvest recommendations previewed in September. This proposal also replaces parts of 6 bond mutual funds in each age-based track with the Principal Plus insurance contract (Funding Agreement). The contract would also be used in the conservative sleeves of the active-based and index-based static allocations. As a percentage of each portfolio the allocations of Principal Plus are smaller than originally proposed.

Questions from the committee followed its earlier conversations: concerns about transparency and the rate-setting process being controlled by the insurer, in particular different crediting rates offered to each TIAA-529 plan state. Thiessen replied that the calculation also considers the expense of operating a plan in each state. Another question asked if diminishing the percentage of outside funds, Edvest would be viewed as another proprietary 529 plan. Current weighting now is about 95% proprietary. Members asked about the four-year tail to discontinue the Principal Plus position in the event of a change of contract or market environment—it was brought up that 60% would be redeemed after two years. Concern was that the insurance company would revert to the 1% minimum rate in such a case, offsetting much of any benefit of exiting the investment. Discussion will continue at the February 24 meeting, to include a representative of TIAA Life Insurance Company to answer questions about rate-setting.

- C.** Templeton Global Bond fund in Edvest plan. This fund has been placed on TIAA's internal watch list, due to concerns with periods of low performance and volatility. The fund did rebound well during 4Q2016. Discussion then talked about suggested replacements, including using the Principal Plus contract. It was brought up that this fund has a Morningstar 5-star gold-rating and has long-term managers in place. Other points included keeping non-US bond exposure and the funds asset allocation and alpha diversification. More to discuss later.

It was also noted that our assets in the Metropolitan West Total Return fund have reached a level to qualify for R6 shares with reduced fees.

**IV. New Business** - none

- V. Adjournment** Motion by Wolff second by Kieckhefer to adjourn at 10:05 a.m. Carried.