



**State of Wisconsin**  
*Department of Financial Institutions*

Scott Walker, **Governor**

Jay Risch, **Secretary**

**MINUTES OF COLLEGE SAVINGS PROGRAM BOARD'S  
INVESTMENT ADVISORY COMMITTEE**

A meeting was held at the Department of Financial Institutions, 201 West Washington Avenue, Madison, Wisconsin, on Wednesday, February 28, 2018 at 10:00 a.m.

**February 28, 2018 -- 10:00 a.m.**

**Minutes**

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

MEMBERS PRESENT: *Rob Kieckhefer, Bill Oemichen, Michael Wolff, and Derek Drummond.*

OTHERS PRESENT: *Paula Smith, Halvard Kvaale, Paul Zemsky, Adrianna Alvarez, Glenn Friedman, Shirley Yang, Mary Lehman, Catherine Burdick, Greg Reiman, Jessica Fandrich, and Jim DiUlio.*

**II. Agenda Approval and Public Posting Report** Motion to approve agenda by *Oemichen*, second by *Drummond*. Motion carried. Staff reported that the meeting has been posted properly.

**III. Approval of Minutes** for November 29, 2017. Motion to approve minutes by *Oemichen*, second by *Drummond*. Motion carried.

*Kieckhefer* then asked *DiUlio* to update the committee on the status of the Investment Consultant procurement. *DiUlio* reported the process has selected Wilshire Associates of Santa Monica CA as the finalist to negotiate, and DOA procurement has initiated the contract discussions. The Callan Associates contract ended on in December, however Callan graciously produced a Fourth Quarter 2017 Executive Summary for this meeting, as well as the deeper databooks for both savings plans. General market data, along with asset and performance measures for the period are included, but no further analysis performed after quarter-end. *DiUlio* added his appreciation for Callan's work for the program since 2011, and their instrumental role in the process to replace Wells Fargo as program manager in 2012. The firm assisted in the evaluations that resulted in TIAA and ING (now Voya) as our current managers, along with periodic fee and 529 landscape reports that have been of value to this committee and as the program has matured.

Due to the procurement rules, he said he was unable to do more updates in December and January,

**IV. Old Business** Information only – The current Statement of Investment Policy and Objectives is dated April 2017. Since that time, the program has been moved from the

Department of Administration to the Department of Financial Institutions, along with some other editorial changes. An updated version will be available for approval at the February or May meetings.

## **V. New Business**

- a. Update on Investment Consultant transition**
- b. Fourth quarter 2017 Investment Review**
- c. Report on Tomorrow's Scholar funds on watch, alternative options**
- d. Watch List update, recommendations to Board**

earlier calculations.

Motion to approve Voya's proposed lineup adjustments for Tomorrow's Scholar to be effective in January 2018, as presented, by *Wolff*. Second by *Drummond*. Motion carried.

**c. Proposed investment allocation and other changes to the Edvest plan** – *Jeremy Thiessen* stated that TIAA's recommendation for Edvest for 2018 is to remain with the existing structure and recommendations as in 2017. (See TIAA deck as a reference). TIAA has been focused on the bond side of the portfolio, it is a robust bond portfolio, he added, and they want to provide broad exposure for the direct program while keeping a balance.

*Thiessen* also mentioned that Templeton Global Bond was on TIAA's internal watch list. Also, Frank Van Etten, formerly of Voya's multi-asset team will be joining Nuveen heading up a new team there. *West* asked his thoughts on the TIAA Bond Plus fund. *Thiessen* said at his time he recommended status quo, leaving the investments unchanged. *Oemichen* reminded TIAA not to be reluctant to bring recommendations to the Board; we have a tradition of being active in our management and would like to see recommendations.

**a. Third Quarter 2017 Investment Review** – *Annoesjka West* of Callan Associates reviewed the third quarter returns, as it continued to be strong 2017 market activity, GDP growth was up 3.0%, and even with the results from the hurricane in Florida, results were strong. (See Investment Advisor Report and Executive Summary). Consumer spending is driving GDP growth, however inflation continues to be low. Valuations are high and there has been a strong run up in the market. The Russell 2000 is up over 20%, and the S&P 500 is up over 18%. Emerging markets are coming back very strong and are up over 22% for the year. Valuations abroad are more attractive than valuations here. The S&P 500 has 13 new all-time highs for the quarter. Commodities were positive, gold is up, oil is up, China, Russia, and Brazil, did very well because they are commodity driven countries. Facebook is up 48% YTD, Apple 34.7% YTD. On the small-cap side healthcare was one of the best performing sectors.

**b. Investment Watch List** – Callan recommends no changes to existing watch list. *Kieckhefer* started the discussion that three funds have been on the watch list for some time we should make decisions on their future and include the Board in the discussion. He asked Voya to propose alternatives for the three—Columbia Limited Duration, Voya Large Cap Value, and Voya Clarion Global Real Estate—and the Committee would submit them to Callan for review and recommendations. If Callan decided there was nothing better at this time, we would accept that. That will be reported out the Board meeting later today. Motion

by *Oemichen*, second by *Wolff* to start the analysis the existing position of these three funds, explore alternatives, and make a final analysis. Motion carried.

**VI. Announcements** - The next meeting of the College Savings Program Board and the Investment Advisory Committee meeting will be held on February 28, 2018. *Oemichen* asked for Board photos to be taken at this meeting.

**VII. Adjournment** Motion by *Oemichen*, second by *Drummond* to adjourn at 11:42 a.m. Carried.

If you require an interpreter, material in alternate formats, or other accommodations to access this meeting, please contact the Department of Financial Institutions, College Savings Program at (608) 261-7899.

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