



State of Wisconsin
Department of Financial Institutions

Scott Walker, **Governor**

Jay Risch, **Secretary**

MINUTES OF COLLEGE SAVINGS PROGRAM BOARD

A meeting was held at the Department of Financial Institutions, 4822 Madison Yards Way, Madison, Wisconsin, on Wednesday, November 28, 2018 at 1:00 p.m.

MINUTES

MEMBERS PRESENT: *Rob Kieckhefer, Sean Nelson, Bill Oemichen (phone), Jay Risch, Cassandra Krause (for Rolf Wegenke), and Jim Zylstra.*

OTHERS PRESENT: Paula Smith, Paul Zemsky (phone), Halvard Kvalle (phone), Josh Dennin (phone), Shirley Yang, Jeremy Thiessen, Glenn Friedman, Catherine Burdick, Vivian Tsai, Felicia Bennett, Steve DiGirolamo, Greg Reiman, Bob Nenno, Michael Wolff, Jessica Fandrich, and Jim DiUlio.

- I. **Call to Order and Roll Call** – *DFI Secretary Jay Risch* called the meeting to order at 1:05 p.m., with a quorum present. (Chair *Oemichen* was calling in remotely and Vice Chair *Shaul* was an excused absence.)
- II. **Approval of Agenda** – The agenda was received, and staff reported that the meeting notice and agenda have been properly posted.
- III. **Approval of Minutes** - of August 23 and September 7, 2018, meeting minutes. Motion by *Oemichen*, second by *Kieckhefer* to approve the minutes, carried.
- IV. **Administrative Reports**

A. Board Chair Comments – *Oemichen* welcomes Wilshire Associates to the meeting and the program. Because of the remote phone connection, he asked *DiUlio* to continue with the Chair's comments. He noted Milwaukee's 11th Annual 'Mittens and More' community service project, led by Milwaukee's PBS television stations, collected more than 10,000 mittens, hats, scarves and gloves for those in need. Again this year, Edvest was the underwriter for the drive. A majority were handmade items from knitting and sewing clubs throughout Southeast Wisconsin, and distributed through 61 agencies from Racine to Oshkosh. Collection points were yarn stores and Milwaukee Area Technical College locations. A little bit of publicity on the posters for Edvest, but also serving a very worthwhile community project. Also in the packet today, note that Voya Investment Management has a company-wide initiative called 'Voya Cares,' to make a positive impact on people with special needs. They've received national recognition as a 'Best Place to Work for Disability Inclusion.' Voya has also provided substantial sponsorships for the National Down Syndrome Society and the Special Olympics. It's good to be associated with these efforts, especially during this holiday season, *Oemichen* wrote.

B. Department of Financial Institutions *Sec. Jay Risch* began his remarks thanking all who worked through a busy October with the 'Edvest at Work' project. While the program works with more than 300 companies, the project formalized the process, and built the infrastructure to offer the convenience of payroll savings. Our people criss-crossed the state during the month to work more than 30 benefit fairs and meet with state agency benefit managers. He added that in just the last few weeks, 57 state and college employees added to or opened direct deposit for 99 beneficiaries for \$3,500+ each pay period, or on a yearly basis, more than \$90,000 from this initial group. He reported that he was one of those 57, and the process was seamless. A similar employer project is being piloted by Voya for Tomorrow's Scholar customers.

Thanks to the staff of TIAA and Voya, he added, for the preparations and logistics in October for the investment due diligence meetings in New York for state, program, and consultant staff. We learned much and the visit to the NYSE was nice addition.

Risch then said with the recent election, there will be some changes, and this will likely be my last Board meeting. It has been a pleasure to participate with you as well as host the program within DFI following the move from DOA. The transition will be smooth, he added, and trusts the program will continue its successful work and continued growth. Thanks to each of you, whether we've known each other for a few months or have worked together over the years, he concluded.

C. Program Director Comments There have been no communications to the Board, or proxy votes taken since last time, *DiUlio* said. We have prepared a modest budget proposal for the next cycle. This has been a transition year with the move to DFI and expenses also occurring at the DOA agency, and the reporting will be clearer going forward. Both savings plans are doing well, relative to accounts and assets. He reported that the outside financial audits have been submitted as part of the state's larger report out in a few weeks. And the program's outreach efforts for both plans remain robust.

An agenda item later in the meeting uses annual inflation information from the College Board. We use a different measure, CPI-U to adjust the Wisconsin taxable income subtraction on plan contributions. Preliminary numbers are about 3%, and the current \$3,200 per beneficiary per year will likely increase to about \$3,300.

He reported the bank CD portfolio is growing, up to 38 state banks participating last month. Interest rates have improved: 2.90% on 2 year and 2.25% on 90 days, up from 1.80 and 1.60 a year ago. The cash portion of that portfolio is held in the state investment pool, and that has also improved, yielding a little over 2%.

A quick word about Morningstar annual ratings, released last month. There was no change in either of our plans. They offered fewer overall medals this year.

The legacy Tuition Units plan, the original Edvest which has been closed to new money since 2002, is down to about 200 remaining accounts. Of the remaining underlying investments, a \$600,000 Resolution Corp Strip matured in October, and the very last \$500,000 is done in January. With the staff at SWIB last year, we

projected that working from cash would cover out liabilities through the last maturity in 2024 and we would not have to reinvest in what could be a tricky bond market. There are about a dozen states remaining with these prepaid plans, he said.

Federal and state issues, regulatory update: Congress is in a holding pattern before and since the elections. The anticipated Tax Reform 2.0 bill will not have any 529-related impact, according to the analysts.

As the Secretary mentioned, we visited with portfolio managers from both plans, operations and trade desk staff, and economists in New York on October 22 and 23. Board members have participated in these investment due diligence meetings in the past, and staff will provide notice of these and other governance activities.

And nationally, there will be 19 new elected or appointed state treasurers from the recent election. In 25 states, 529 programs reside within a treasury office, and in another 15 the state treasurer sits on a 529 governing board. As you may know, the College Savings Plans Network is attached to the national treasurers' association (NAST). *DiUlio* is currently working with NAST in providing introductory, investment, and compliance education through webinars and a later group meeting as they relate to 529 for the new class.

V. Program Manager Comments

A. **TIAA** *Shirley Yang* reviewed key statistics and trends of Edvest for the quarter. This month, the reports have a new look and are easier to read. The plan's contributions continue to grow and keep pace or exceed peer plans, she added. The portion of account owners electing to use electronic access continues to increase, moving from paper and mail. She also shared data tracking activities from the recent efforts from state agency staff using payroll contributions.

The project to upgrade security for account owner online access has been going well, she reported. A separate help desk at the call centers has been set up to assist those as needed; few problems have been reported. *Risch* reported that authentication process was easy to use.

Catherine Burdick reported Edvest marketing and outreach activity. The follow up with the employer project is working smoothly, as adjustments are made to the forms and process. She also reported that the special in-state research project is on track, with preliminary interviews and questionnaire design in progress. For the quarter, there has been strong lead generation and favorable media coverage for Edvest, she noted. The marketing plan is doing well and 'hitting on all cylinders.' Plans for 2019 are in the works and will be highlighted next time.

B. **Voya** As with the direct plan, *Paula Smith* said Tomorrow's Scholar continues to do well both in Wisconsin and nationally, with sales on pace with 2017 and anticipating a strong fourth quarter. Support for broker dealers and the distribution network continue to produce awareness and steady results. Sponsorships and presentations at advisor events are supporting the Back to

School and Year-End gifting campaigns. New and expanded 529 college savings calculators will be launched on the websites soon. Participation in the omnibus platforms continues to grow, making the customer relationship easier for advisors.

She also reported Voya continues to be recognized by financial industry recognitions and awards, and is now the #1 most recognized brand for retirement. More components and partnerships of the 'Voya Cares' company-wide initiative were also detailed by *Smith*.

VI. Old Business – Portfolio and other details of the Principal Plus funding agreement.

This report was requested by the Investment Advisory Committee at an earlier meeting and presented at its meeting earlier today. *Thiessen* shared some of the highlights with the board, including similarities and differences of various stable value investment types. He also provided details of the funding agreement from TIAA Life used in both plans for this investment category. This report for information only.

VII. New Business

- A. **Investment Committee Report** – *Kieckhefer* gave a summary of the group's morning meeting activities and reports. He introduced and welcomed *Felicia Bennett* and *Steve DiGirolamo* of Wilshire Associates to support the program, Committee, and Board. There will also be a recommendation for changes to the Tomorrow's Scholar plan later in the meeting.
- B. **Third Quarter Investment Review** *Bennett* and *DiGirolamo* provided highlights from the period, frequently referring the Executive Summary prepared for the meeting. The performance report for both plans is also included. Members are encouraged to offer suggestions regarding format or additional information that would be useful; Wilshire maintains a large catalog of detailed data for their clients.
- C. **Watch List Recommendations** – The committee reported that a study will be done by Wilshire and program staff to determine criteria for watch list triggers and related reports. Results will be discussed at the February meetings, and no action was taken by the Committee for the current investments on Watch.
- D. **Proposed investment allocation and other changes to the Tomorrow's Scholar Plan line-up for 2019** (Voya) – *Paul Zemsky* presented the highlights of Voya's recommended changes to the plan. For most of the risk based portfolios, they propose a slight reduction of equities, and internal adjustments to increase large cap and international positions by reducing mid cap and emerging market equity. In the fixed portions, adjustment will be made to shorten durations, eliminate high yield from all multi-portfolios, and add global bonds to some. In addition, they propose eliminating some underlying and standalone funds for simplicity and other factors.

Accounts on the removed funds will be mapped to similar strategies and will not count as one of the two permitted personal allocation changes per year, since these changes are at the plan level. The suggestions from Voya have been reviewed by Wilshire and they are comfortable with the reasoning and decisions for the adjustments.

Motion by Committee Chair Kieckhefer, second by Risch to replace the Voya Global Real Estate Fund with the Brookfield Global Listed Real Estate I Fund. All aye, carried.

Motion by Committee Chair Kieckhefer, second by Risch to accept the broader recommendations from Voya on asset allocation adjustments and elimination of some portfolio choices, all to take place in January 2019. All aye, carried.

E. Proposed investment allocation and other changes to the

Edvest Plan line-up for 2019 (TIAA) – *Glenn Friedman* reported on TIAA's annual research and analysis of its current line-up for Edvest, the related projections of tuition inflation, and the market and economic environment. TFI recommends keeping the same Edvest asset allocations and investment line-up in place for 2019. No further action is needed by the Board.

F. College Board's Trends in College Pricing 2018 and review and adjustment of the current \$472,000 maximum balance per beneficiary

The Board reviewed a memo prepared by staff, reporting College Board's recent study. Private nonprofit four-year institution tuition and fees rose 3.3% (down from 3.5 and 3.6 in the last two years). Public four-year instate tuition and fees was also down slightly, now at 2.5%. The Board discussed posted limits at other state program, noting many are now at \$500,000 or greater.

Motion by Kieckhefer, second by Risch to set the limit of all Wisconsin 529 plan accounts intended for a single beneficiary to \$488,000, effective January 1, 2019. All aye, carried.

VII. Announcements – Hold the date, pending availability of members...the next meeting of the College Savings Program Board and the Investment Advisory Committee will likely be held on February 27, 2018, at the Hill Farms State Office Building on Madison's west side.

VIII. Adjournment —Motion by Zylstra, second by Kieckhefer. Carried. The meeting was adjourned at 2:37 p.m