



State of Wisconsin
Department of Financial Institutions

Tony Evers, Governor

Kathy Blumenfeld, 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, February 27, 2019 at 1:00 p.m.

MINUTES

MEMBERS PRESENT: *Rob Kieckhefer, Sean Nelson, Bill Oemichen, Cassandra Krause (for Rolf Wegenke), Derek Drummond, Kim Shaul, Rob Kreibich, Alberta Secretary Kathy Blumenfeld, and Jim Zylstra. Senator Alberta Darling excused absence.*

OTHERS PRESENT: Paula Smith, Paul Zemsky, Josh Dennin (phone), Shirley Yang, Glenn Friedman, Catherine Burdick, Vivian Tsai, Mary Lehman, Martha Wood, Treasurer Sarah Godlewski, Michael Wolff, Catherine Haberland, Cheryl Olson-Collins, R.J. Lambert, Matthew Lynch, Melanie Conklin, Jessica Fandrich, and Jim DiUlio.

- I. **Call to Order and Roll Call** – *Bill Oemichen* called the meeting to order at 1:03 p.m., with a quorum present.
- 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 November 28, 2018 meeting minutes. Motion by *Shaul*, second by *Nelson* to approve the minutes, carried.
- IV. **Administrative Reports**
 - A. **Board Chair Comments** – *Oemichen* mentioned that ethics reports are due in April for members of the board. We are a public body with an open meeting law, we are limited in what we can do with each other by email, no substantive discussion.

Welcome to the new DFI Secretary, Kathy Blumenfeld, and also the State Treasurer, Sarah Godlewski, and all of the new DFI staff that are here. There are Education opportunities for Board Members if you are interested. ABLE is on the agenda, there are 30 states with ABLE programs for adults with

disabilities. Oemichen is tracking down a memo that he wrote for DHS, trying to get the agency to move it forward.

B. Department of Financial Institutions – *Secretary Blumenfeld* said she was excited to be here with this Board and DFI. I am a CPA, my parents encouraged me to go out and get a job in the private sector and to get some experience, so when I got the call in mid-December to come back and serve Governor Evers I was excited. I am a strong advocate and proponent for Edvest and will come in with a lot of new ideas, and changes, and a fresh set of eyes.

Thank you Senator Darling and former Representative Kreibich for the enabling legislation and for getting us to this point. As trustees we have the charge, hopefully we can keep it growing and healthy for years to come. I am excited to work with the Treasurer she has a lot of interest, I too have a personal connection to ABLE accounts and I am very interested in that as well. It will be interesting to see what happens there have been a lot more discussions about that.

C. Program Director Comments There have been no communications to the Board, or proxy votes taken since last time, *DiUlio* said. The budget is preliminary and waiting for final approval. As you remember we decreased the fee on the Tomorrow's Scholar plan from 10 to 7 basis points, effective last October. With the reduction, revenues generated will be more than enough to cover whatever our anticipated revenues are going to be.

Behind your third tab is the program snapshot. Note that in the fourth quarter we dipped below the 5 billion dollar mark, but the gratifying thing is that we just keep adding accounts to both plans. We have gone thru 20,000 to 25,000 accounts a year, and we would like to replace each of those with 5000 to 10,000 more to keep ahead. We continue to increase total accounts, 6.3% more just in the last year. The Department of Revenue raised the annual income tax subtraction for the 2019 from \$3,200 to \$3,280 per beneficiary per contributor, based on CPI-U. Also the 25% business credit on employer contributions to employee 529 accounts also increases from \$800 to \$840 this year.

As the program managers will report, December's year end gifting campaigns went really well. The migration of the with the replacement fund in the Tomorrow's Scholar Plan went smoothly. Locally, the City of Milwaukee will launch Fund My Future Milwaukee, using Edvest's Principal Plus as the investment backbone. It's an ambitious plan, as with other of these Children's Savings Accounts nationwide using seed money accounts to prompt a college-going mentality. Here it involves about 8,800 kindergarten-age kids a year, and once we get rolling we will have about 20 million dollars invested in that program alone.

V. Program Manager Comments

A. **TIAA** *Shirley Yang* highlighted the statistical information for the fourth quarter. In spite of a busy year-end, service levels held up for the most part. Growth continues in the early age brackets, along with the risk adjusted portfolios. *Catherine Burdick* then gave the highlights of the campaigns, both year-end and upcoming. See the presentation decks.

B. **Voya** *Paula Smith* sales are steady in spite of market volatility in the fourth quarter.
We've had pull back in the 4th quarter, and came in just shy of 2017's record numbers. Wisconsin's sales were up 4% over the year. Distributions are up year over year following the trend. Most of the decisions are coming from people who are going to college. We have been rebuilding accounts since we have taken over the program and we have seen an uptick due to K-12, we have had 9000 new accounts since 2018. If you look at the national distributions you will see that sales are down 11% nationally, but it was still our second best year ever, with significant sales from Morgan Stanley. Also from Ameriprise, with a 15 year Voya relationship.

The March Madness campaign will do well again this year with advisors, and *Josh Dennin* said a new web platform is in the works.

VI. Old Business – None.

VII. New Business

A. **Investment Committee Report** – *Kieckhefer* reported on the morning meeting's activity. Discussion on domestic and global activity and continuing volatility were concerns of the committee. Due to a family emergency, *Steve DiGirolamo* and other Wilshire staff were unable to make this afternoon's Board meeting. However, from his morning remarks, Wilshire's recommends no changes to existing Watch List eligibility. Their opinion of the three current funds there remains unchanged and will keep monitoring during the volatility we are experiencing. *Kieckhefer* express concern that these funds have been on watch for some time, and it would be prudent to look for replacements if needed.

Motion by Committee to ask program management and investment consultant to consider replacement investments, and report back to the Board at its next meeting. All aye, carried.

Discussion of the current bank CD and closed credit union portfolios were also discussed during the Committee meeting.

Motion by Committee for staff to research other CD programs and enhancements at 529 plans using guaranteed investments, banks, and credit unions and report back at the next meeting. All aye, carried.

B. **Fourth Quarter Investment Review** Staff reviewed Wilshire's prepared materials and comments from the Investment Advisory Committee meeting, with additional comments from Voya's *Paul Zemsky* and TIAA's *Glenn Friedman*.

C. **Watch List Recommendations** – No changes to current list.

VII. Announcements – The next meeting will likely be held on May 29, 2019, at the Hill Farms State Office Building on Madison's west side.

VIII. Adjournment —Motion by *Zylstra*, second by *Nelson*. Carried. The meeting was adjourned at 3:02 p.m