



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, March 4, 2020 at 9:00 a.m.

MINUTES

MEMBERS PRESENT: *Susie Bauer, Secretary Kathy Blumenfeld, Derek Drummond, Jason Kalmbach (for Rolf Wegenke), Sean Nelson, Bill Oemichen, Kim Shaul and Jim Zylstra.*

OTHERS PRESENT: Matt Lynch, Jeremy Thiessen, Andy Schlueter, Bob Harris, Vivian Tsai, Steve DiGirolamo, Paula Smith, Shirley Yang, Catherine Burdick, Jessica Fandrich, and Jim DiUlio.

- I. **Call to Order and Roll Call** – Chair *Bill Oemichen* called the meeting to order at 9:03 a.m., with a quorum present. With the large group at today’s meeting, introductions were made.
- II. **Approval of Agenda** – The agenda was presented, Motion by *Blumenfeld*, second by *Nelson* to accept, all aye carried. Staff reported that the meeting notice and agenda have been properly posted.
- III. **Approval of Minutes** – for March 4, 2020, Motion by *Bauer*, second by *Zylstra* to approve the minutes, all aye carried.
- IV. **Administrative Reports**
 - A. **Board Chair Comments** – *Oemichen* noted the program finished 2019 with an increase of 11,000-plus accounts over the previous year, continuing a five-year pattern of consistent growth, something not every 529 program can claim. Also in light of recent market volatility, especially with equities dropping by double digits, it is good to see our age-based portfolios have handled the situation well. Those nearing the college years, in the options aged 15 to 18 are only down a few percent these first few weeks of the year, following above average returns in 2019. The research and risk management in the asset allocation process is working as designed.

He also extended congratulations to WAICU on receiving a \$5 million grant from the Legislature to help returning vets at Wisconsin’s independent

colleges and universities. *Oemichen* also noted the upcoming change this weekend to the Edvest plan investment lineup and its recordkeeping service. A number of notices have been sent to all account owners, and all should proceed smoothly. He also shared some thoughts from his emergency preparedness days regarding the current virus warnings and air travel; he asked our visitors today to be mindful on their way back home.

B. Department of Financial Institutions – Good news to report, said *Secretary Blumenfeld*, noting that both program managers have again been honored again as ‘Most Ethical Companies’ for six and seven years running. She offered congratulations and said it is the people at a business that make the difference for honors like this. She also reminded the Board that a position for program administration has been added, with candidate applications due by March 8.

We recently concluded outreach activities with America Saves Week, including a number of presentations by staff in partnership with UW System campuses. The fourth quarter 529 plan investment rankings from *savingforcollege-dot-com* were just released and both of our plans scored well in the multiple categories—top tens among the 85 plans rated. Of note was Tomorrow’s Scholar RIA shares, scoring number one in the nation for one and three-year periods and second for five years. She also noted the detailed preparations for the Edvest plan’s changes this weekend, and extended appreciation to all involved.

C. Program Director Comments – There were no proxy votes scheduled or taken since the Board last met, *DiUlio* reported. There was one communication, however, addressed to the program and Board from a second-generation Edvest owner regarding the upcoming plan changes. He had questions regarding how the process to change investments worked. Following a conversation, he was satisfied. A suggestion for future mid-year plan changes would add a cover letter from the agency, along with the program manager’s required notices, as we have done previously.

We are in the process of closing the legacy prepaid Tuition Units plan. From its inception 22 years ago as the original Edvest plan, units were sold until late 2002, when the current savings plans took over. The last of the underlying bonds have matured and the outstanding Units are fully funded through the program’s end in three years. Current accounts will be placed in the Edvest guaranteed account, to now include online access. Refunds of dormant accounts are now underway. *DiUlio* noted that SWIB has managed the Tuition Units bond portfolio since inception very well, with an internal return of just under 6% for all these years.

The Tomorrow’s Scholar annual allocation adjustment process took place during the last weekend in January, and all went smoothly. As an update to the Fund My Future Milwaukee, staff from a number of banks and credit unions in the city will be partnering with the CSA’s initial elementary schools and Edvest for parent events on 529 Day, onsite and with social media. And the CSA project with the Richland Center Hospital is now on

hold as the medical groups there reorganize. However, UW-Extension's well prepared plan could be applied to other rural settings and they are looking for another interested community in the interim.

On the federal level, the SECURE Act in December added two uses for 529 accounts: student loan repayments up to \$10,000 for a beneficiary or sibling, and some expenses for apprentices in programs registered by the U.S. Department of Labor. IRS guidance on these provisions is not expected until later this year. The effort to exempt 529 balances from FAFSA calculations as part of the Higher Education Act reauthorization is stalled, with concerns about the offsetting cost. Work continues at firms in the advisor channel to implement SEC Regulation BI by the June 30 deadline. Here in the Wisconsin, there have been two hearings in the rule change process to bring us into harmony with federal 529 rules. More hearings and legislative action are expected later this year.

Jessica Fandrich played two new Edvest television ads for the group and related some outreach activity.

Secretary Blumenfeld provided an update on the Student Debt Task Force, as members will be announced soon, and then starting a busy schedule of meetings around the state. She said the group will bring together a range of experiences and knowledge and will cover topics broader than just student debt, such as credit card debt and college affordability. Members will be able to access local and national expert resources to aid their work. Their goal is to have recommendations ready for the next state budget discussions.

V. Investment Consultant comments

Don't panic, said *Steve DiGirolamo* of Wilshire Associates. The recent market volatility was expected to happen sometime in 2020, and now we have uncertainty with the recent virus spreading around the globe. For perspective, he pointed out that this follows the 9% return from US equities in the fourth quarter, 31% for the year—and even bonds were slightly up—making 2019 a very good year. Reviewing the underlying funds for the two Wisconsin plans, he noted the high percentage of funds with above median performance in both plans. While two underlying funds in Tomorrow's Scholar remain on the Watch List, he recommends no change for now during this volatile time. Referring to the Scorecard dashboard, he noted that the Corporate Leaders 100 fund appears to be a watch candidate, but due to its equal weighed construction, this underperformance is reasonably expected. It is a good illustration of how the Wilshire Scorecard works, not as an absolute indicator, but a blend of quant and qualitative input.

Fourth quarter economic statistics were covered, and with a brief summary of first two months of this year. He expects more volatility in the coming months, in addition to the global virus, plus all the other existing factors including trade agreements, the US elections, and seasonal severe weather activity.

He then took the group through each plan's 'batting average' charts, comparing the investor portfolios with the corresponding Morningstar's peer groups. While the Morningstar categories are broader than the actual investment portfolios, there will be some discrepancies between groups.

Oemichen stated that with Wilshire's recommendation is continue the existing watch for two funds, no Board action is needed.

VI. Program Manager Comments

- A. **Voya** *Paula Smith* reviewed distribution highlights for fourth quarter and the year. Although 2019 sales were slightly less than 2018, Tomorrow's Scholar finished with a strong December, up 18% over last year, the best December ever with momentum continuing into this year. New accounts continue to concentrate on young beneficiaries and the sales mix among firms remains broad. In-state accounts grew nearly 4% last year. She acknowledged Voya operations and wholesalers who have continued to add omnibus relationships nationwide. *Andy Schuleter* added that omnibus conversions takes 3-6 months at a firm, but eliminating paperwork and manual processes for the financial advisors and network sets us apart in the industry. *Susie Bauer* commented that Tomorrow's Scholar is also ahead of the curve as just the fourth 529 plan to accept e-signatures. Marketing efforts for the fourth and first quarter have been successful. *Smith* then shared details of Voya now incorporating student debt elements into the financial wellness program offered to their DC retirement clients. A white paper on the topic for employees and employers is coming soon.
- B. **TIAA** *Shirley Yang* also reported a strong finish for the Edvest plan last year. While the third quarter was slow, the end of the year brought account growth up, finishing up 6% year over year. Members asked some questions about the use of Edvest for K-12 expenses, *Yang* replied that it would be hard to judge since we don't ask reasons for withdrawal. The same would apply to the new loan repayment provision until rules are announced. Some discussion continued about customer service level falling at the end of December, explained in part not so much the daily volume but many calls coming in at the same time. As mentioned earlier, the Edvest recordkeeper conversion and portfolio change will take place this weekend, including resets of account access passwords.

The Edvest marketing report is now in narrative form, reports *Catherine Burdick*. The recent holiday campaign was successful, better than last year. The focus now shifts to inactive accounts and plans leading into the spring tax messages. Digital efforts continue to perform well. She explained the new account onboarding process and cadence, then reviewed the recent results from its touches, then moving to introduce a new dashboard

covering broader marketing and outreach activity. A planned change this year will add community marketing with a softer, more educational message. This will likely be more effective than a hard tax message, especially when targeting low and moderate income families. She then reviewed the marketing calendar.

(the meeting was interrupted by a fire alarm test)

Discussion among the Members inquired about correlations of 529 accounts in a given college community and levels of student loans and debt occurring there. Staff will look for research.

VII. Old Business – none

VIII. New Business – Discussion on whether to further reduce state administrative fees charged to participants. *Matt Lynch* asked for input following recent meetings with the Legislature’s Joint Finance Committee related to adding a position to the college savings program. They requested a DFI review of fees charged to plan participants. *Bauer* said that according to *savingforcollege-dot-com*, the fees of Wisconsin’s plans were among the lowest in the country. *Drummond* added that the Board researched this topic two years ago when the fees were reduced for Tomorrow’s Scholar. *Oemichen* thanked *Lynch*, who will prepare a response on behalf of the program.

IX. Announcements – The next meeting will be on Wednesday, June 17, 2020, at 9:00 a.m., at the Hill Farms State Office Building in Madison.

X. Adjournment – Motion by Drummond, second by Nelson to adjourn. All aye, meeting adjourned at 11:18 a.m.