



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

Tony Evers, **Governor**

Kathy Blumenfeld, **Secretary**

**DRAFT MINUTES OF COLLEGE SAVINGS PROGRAM BOARD**

A meeting was held via phone and video conference due to the pandemic situation, on Wednesday, June 17, 2020 at 9:00 a.m.

MINUTES

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

OTHERS PRESENT: Steve DiGirolamo, Felicia Bennett, Paul Zemsky, Paula Smith, Shirley Yang, Jeremy Thiessen, Glenn Friedman, Catherine Burdick, Vivian Tsai, Mary Lehman, Emma Steinberger, Sophie Blumenstein, Matt Lynch, Linda Lambert, Jessica Fandrich and Jim DiUlio.

- I. **Call to Order and Roll Call** – Chair *Bill Oemichen* called the meeting to order at 9:00 a.m., with a quorum present.
- II. **Approval of Agenda** – The agenda was presented, Motion by *Bauer* second by *Drummond* 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 *Drummond*, second by *Zylstra* to approve the minutes, all aye carried.
- IV. **Administrative Reports**
  - A. **Board Chair Comments** – Welcome to our first virtual video meeting, *Oemichen* began, and said it would likely be our meeting environment for the rest of 2020. Reports in today’s meeting will cover market volatility and uncertain economic news, he continued, but as discussed at our March meeting, our account owners in the portfolios close to the college years have been relatively insulated from the recent market fluctuations. He said the teams from both Edvest and Tomorrow’s Scholar have designed their asset allocations to manage these risks, and portfolios in the final steps continue to perform well.

*Oemichen* also shared first quarter news from Wisconsin's 457 deferred comp plan, released last week. The 457 serves much of our 529 plans' demographic and its asset size is similar at \$5 billion. They report their owner behavior during the recent market volatility has been mostly 'stay the course.' They did not see any significant increase in investment allocation changes by participants, and although Covid-19 legislation has allowed pre-retirement withdrawals, less than one-half of one percent of their participants have done so in Wisconsin.

**B. Department of Financial Institutions** – *Secretary Blumenfeld* said the transition from office to a work from home environment for our 529 operations have been smooth, an extension of our normal vendor and agency relationship. IT systems are working well. She then provided an update on the Student Debt Task Force, sharing some comments from their listening sessions around the state and the group's discussions and progress toward recommendations from their work. They plan to have a report issued in August.

She also commented on the virtual replacement for the national 529 plan management conference sponsored by the National Association of State Treasurers, a conference which also includes many other state-provided services including financial wellness, investments, debt management, and technology tracks. Instead of three days of sessions, it is now a few hours of webinars each week in June and July. In addition to the large savings on travel costs, it also allows access to view interesting sessions in the other tracks. The college savings track has gone from a typical 200 attendees in-person to 350 online. So far, she finds the format very convenient and this could be a model for large conferences in the future.

Looking ahead to the challenges our higher education partners will face in the fall, our account withdrawal process for parents and institutions will continue to operate as normal. All pieces are in place and it is one less thing to worry about with returning to school, she said. Feel free to ask the 529 staff or DFI if we can be of help in any way.

**C. Program Director Comments** – *Linda Lambert* began her remarks by thanking all for the warm welcome she has received in her first weeks on the job. She has been impressed with the program's continued account and asset growth. First quarter numbers for the plans continue the trend, up 9,000 more accounts or 2.8% year over year.

She also noted the board meeting materials packet sent to members has been condensed, with many of the previous lengthy reports now attached as supplements to the summaries.

## **V. Investment Consultant comments**

Looking back at the first quarter and preliminary results from the just completed second, *Steve DiGirolamo* of Wilshire Associates remarked how much history happened in a short time. He felt the very large stimulus action and other activity, including massive bond buying is both a positive thing now and in the longer term. In anticipation of his later remarks, he told the Board there are no recommendations to change any investments in either plan, but they will continue to monitor short term activity.

He then reviewed the first quarter's performance by asset classes, along with more recent reversal of many of the negative numbers. Given the perspective of a longer view, he said most asset classes performed as expected. The specific portfolios in each plan for those approaching the college years held up well in this environment, he concluded.

With regard to performance concerns of any underlying funds, he recommended no changes to the Watch List and said Wilshire will continue tracking the data, with better perspective gathered over several more quarters.

## **VI. Program Manager Comments**

- A. **TIAA** *Shirley Yang* opened her remarks with a review of Edvest's growth numbers, although a bit slower, as it happens moving into the summer season. Questions regarding greater activity at the Edvest call centers were mostly related to the recordkeeper changes in March, she said. Calls regarding new account numbers and payroll deposit changes outnumbered questions about account values or changes, she concluded. *Jeremy Thiessen* then reviewed the process used for allocation adjustments within the newly added enrollment date portfolios. He also discussed some market reactions to volatility, and said there were no great surprises considering the circumstances. Highlights of Wisconsin outreach and marketing activity were reported by *Catherine Burdick*. She said response and results were robust for much of the first quarter, and activity since then continues. She also reviewed the continuing campaigns, which will continue into the fall.
  
- B. **Voya** *Paul Zemsky* provided detailed analysis of how the recent adjustments to Tomorrow's Scholar portfolios are performing and also comments on the broader capital markets. A surprise was the slight underperformance of actively managed fixed income, he said, but the lower exposure to equities from 2019 has worked well. The scheduled changes in January worked slightly to the plan's advantage. Regarding the coronavirus, he said subsequent outbreaks may be more manageable and have a lesser effect on the economy, if year-end unemployment is 8% compared to 4% last year. *Paula Smith* reported continued smooth operations for the plan during the transition of staff to remote and home locations. BNY seamlessly moved all recordkeeping and call functions in March, and Voya is now focusing on

internal staff training with videoconferences. Most broker dealers have also transitioned operations and service well, but sales have been sensitive to the news in some locations. The Omnibus rollout nationwide continues as planned, and she noted distribution channel highlights. Savingforcollege again has ranked Tomorrow's Scholar highly for 529 advisor plans, pointing out top ten scores in nearly every category. Good news, she concluded, for the entire team.

**VII. Old Business** – none

**VIII. New Business** – *DiUlio* provided an update on the upcoming SEC regulation BI to take effect soon. Our existing processes are in compliance with the regulators, and our distribution broker dealers have provided necessary information to add to our disclosure materials. *Lynch* reported the state rulemaking process initiated earlier this year is complete, allowing changes eligible under federal Section 529 to flow to Wisconsin, including the mechanism for refunds, rollovers and allowing multiple account owners.

**IX. Announcements** – The next meeting will be on Wednesday, September 16, 2020, at 9:00 a.m., to be held as a virtual video conference.

**X. Adjournment** – Motion by *Drummond*, second by *Bauer* to adjourn. All aye, meeting adjourned at 10:51 a.m.