



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

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Tony Evers, **Governor**

Kathy Blumenfeld, **Secretary**

**COLLEGE SAVINGS PROGRAM**

**REGULAR COLLEGE SAVINGS PROGRAM BOARD MEETING**  
**WEDNESDAY, March 17, 2021**

**MINUTES**

A meeting was held virtually via Cisco Webex conference call on Wednesday, March 17, 2021 at 9:00 a.m.

**1. Call to Order and Roll Call**

Chairman Bill Oemichen called the regular meeting of the College Savings Plan Board to order at 9:00 a.m., with a quorum present.

Board Members Present Via Conference Call

Secretary Kathy Blumenfeld, Board Chairman William "Bill" Oemichen, Rachel Keith representing Senator Alberta Darling, Derek Drummond, Rob Kreibich, Susie Bauer, Carrie Stahl representing Dr. Rolf Wegenke, Sean Nelson, Ashleigh Edgerson, Kimberly Shaul, Linda Lambert, and Jessica Fandrich.

Others Present Via Conference Call

Steve DiGirolamo, Felicia Bennett, Paula Smith, Shirley Yang, Glenn Friedman, Catherine Burdick, Matt Lynch, Catherine Haberland, Cody Kastorff, Lucien Adams, Justin Slaughter, and Andrea Feirstein.

**2. Approval of Agenda**

The agenda was received, and staff reported that the meeting notice and agenda have been properly posted. Motion to approve agenda as presented by Rob Kreibich, second by Kim Shaul. Motion carried.

**3. Approval of the minutes of the December 9, 2020 Board Meeting**

Motion by Kim Shaul, second by Sean Nelson to approve the December 9, 2020 College Savings Program Board meeting minutes. Motion carried.

**4. Guest Speaker**

Andrea Feirstein, Managing Director of AKF Consulting Group discussed the 529 Market and provided a snapshot of the Wisconsin plan compared to plans nationwide. She also discussed the Able Market since the Governor has indicated interest in exploring these further.

Andrea noted that the oversight model for the Wisconsin plan is different than 75% of other 529 plans because the Treasurer is not involved. The business model, however, is in line with 87% of other plans. When comparing average account size, Wisconsin is lower than the national average and may

be due to demographical differences. Through 2010/2011, advisor sold plans were more prevalent. In 2012, this shifted to the direct market. This shift has been driven by lower prices, plans that are easier to understand, along with an increased sense of awareness of 529 plans. Edvest is on target with the nation in terms of direct plan growth. Advisor accounts are at 0.5% which is lagging the national average of 1.3%.

Bill asked if Andrea has observed any beneficial activities that other states are doing that Wisconsin is not doing. Andrea noted that other states are focusing on underserved populations, language expansion, as well as families who have not saved previously. She also noted that some advisor programs have been paying more attention to "Regulations of Best Interest" (Reg BI).

Susie Bauer asked if Andrea was aware of things other states are doing to overcome the hurdle of advertising limits for advisor plans as well as extensive disclosure requirements. Andrea noted direct plans have the same limitations as advisor plans but require a more targeted approach.

Ashleigh Edgeron, asked how the Plan is impacted by FAFSA. Andrea noted there are many changes, some include changes that may make grandparent owned accounts more attractive now as there is no longer a look back period.

Andrea provided an overview of the Able Market and some of the State alliances that have been formed. She highlighted the collaboration benefits such as strong pricing and ability to reach greater assets under management more quickly. As Plans move away from age and account limitations, the market will grow further. She also highlighted other things to consider such as offering a state tax benefit and eliminating state Medicaid recovery.

Shirley Yang indicated she thought there were some tax benefits for individuals from Wisconsin who contribute to Able plans. Kathy Blumenfeld indicated she believes the benefit is up to \$15k. Linda Lambert confirmed this information.

## 5. Administrative Reports

- a. **Board Chair Comments** – Board Chairman Bill Oemichen discussed that the Edvest Plan reached \$4 Billion in assets under management (AUM) resulting in a decrease in program management fees by one basis point (bps) to 7bps. Bill was happy to share with the Board that the two plans continue to grow and as of the end of February, Edvest is up over 21% compared to this time last year while Tomorrow's Scholar is up 15%. Bill commented that it was good having Andrea come to the board meeting and provide a landscape of the program. He noted that we are fitting in well with other programs nationally.
- b. **DFI Secretary Blumenfeld Comments** – Secretary Blumenfeld commented that we are excited about the growth in Edvest's Assets Under Management and the reduction in the Program Management fee. She indicated this is a step closer to making college more affordable for all Wisconsin families and that both programs have experienced growth rates we can be proud of.

Secretary Blumenfeld provided an update on the Governor's proposed state budget items impacting DFI and more specifically, Wisconsin's College Savings Program. She discussed work on the following items:

- ABLE - There's a proposal for DFI to research, recommend and implement an "Achieving a Better Life Experience" or ABLE program

- Task Force work – Secretary Blumenfeld is chairing to implement a single point of contact for student debt, a Student Loan Ombudsman office and a borrower bill of rights (BBOR)
- Children's Savings Accounts – The Governor has directed DFI to collaborate with one or more philanthropic organizations to develop a statewide children's savings and investment program
- Public Service Loan Forgiveness programs – maintain, collect, and provide information regarding public service loan forgiveness programs
- Expanding Bucky's tuition promise to help people in more vulnerable communities gain more access to higher education
- The Secretary also noted two Proclamations related the departments work
  - April is officially Financial Literacy and Capability Month
  - May 29<sup>th</sup> is 529, College Savings Program Day

She noted that DFI and ETF won a grant from the National Association of State Treasurers for \$100k to develop and launch a financial wellness education program for Wisconsin public employees - Wisconsin Strong. Kim Shaul asked if there was a link to the program. Linda Lambert indicated it is currently only available to state employees, but a test environment could be shared. Kim indicated she would follow-up with Linda after the meeting.

## 6. Program Director Comments

**Linda Lambert, Program Financial Capability Officer** – Commented that there is a plan to continue bringing educational presentations periodically to the Board.

Linda described the SECURE Act which was passed last month. It now conforms to the Fed SECURE Act of 2019, allowing K-12 tuition, apprenticeships, and a one-time use of 529 funds to pay up to \$10k in student loan debt. The state also made this retroactive to the December 2019 date of the SECURE Act.

Due Diligence – Conducted first virtual due diligence visit with Ascensus, Edvest's recordkeeper, in mid-December and met with the TIAA investment and risk management teams in January. She stated both meetings went well and nothing unexpected turned up.

Outreach – The CSP team hosted several webinars to promote Edvest, offering a promotion for new accounts with recurring contributions. The first three webinars had around 100 attendees each. Webinars during America Saves Week and for the UW Systems had over 300 attendees. Additionally, we are participating in the Smart Money Week offering two webinars with College Affordability and Sallie Mae. Plus, Edvest is one of the sponsors of the Money Smart Essay contest.

Linda noted we are in tax season and that individuals can still make 2020 contributions and claim their 2020 State tax deduction through April 15. The new tax-deductible contribution limit for 2021 has increased to \$3,380 and \$1,690 for married couples filing separately or divorced parents, up from \$3,340 and \$1,670.

Saving for College rankings – Linda indicated that Edvest increased in the 5-year performance category, increasing from an overall ranking of 10<sup>th</sup> last quarter to 7<sup>th</sup> this quarter. That is the first time it's ranked this high. The Tomorrow's Scholar's Advisor-sold plan ranked 3<sup>rd</sup> in the 3-year performance and increased to 4<sup>th</sup> place from 6<sup>th</sup> in the 5-year performance.

Linda noted that Proposed Legislations related to tax deductions is still pending and she hopes to have updates when the board meets in June.

## **8. Investment Consultant Comments (Wilshire Consulting)**

- a. Q4 2020 market activity and investment performance** - Felicia Bennett reviewed 4<sup>th</sup> quarter and YTD 2021 Asset class returns. U.S. Equity class returns were strong for the quarter and YTD. Felicia noted that prior trends have reversed in the 4<sup>th</sup> quarter and YTD with regard to Growth/Value and Large/Small Cap funds. Value outperformed Growth and Small Cap outperformed Large Cap over the time frame. U.S. Treasuries hit record lows.
- b. Watchlist Discussion** – Steve DiGirolamo reviewed the score cards with the Board. Within the Edvest Direct Sold plan, 73% of the total funds ranked in the top half of their respective peer universe over the trailing five-year period for performance. All Risk-Based and Individual Fund Options had positive returns over the reported periods. There are currently no funds on the Watchlist within the Edvest Plan.

Within the Tomorrow’s Scholar Advisor Sold plan, 59% of the total funds ranked in the top half of their respective peer universe over the trailing five-year period for performance. Age-Based Funds had positive returns for all reported time periods. All fund options reported positive returns for the fourth quarter. There are currently two funds on the Watchlist (Voya Large Cap Value and BlackRock Global Allocation Fund).

Bill Questioned performance of the Northern Small Cap Value. Steve indicated that active management within this group has struggled over the past few years because the benchmark has taken on more of the return characteristics of Growth. He also commented that this fund has stayed true to its small cap value style as the market has moved away. Although not recommending for the watchlist, they are keeping an eye on the fund.

Watchlist Recommendations – Steve reviewed the two funds currently on the watchlist for the Tomorrow’s Scholar plan and recommended their removal.

- Voya Large Cap Value – Wilshire recommends removal from the watchlist as the fund performance for years one and three are now outperforming the index and peer universe along with review of other qualitative and quantitative factors.
- BlackRock Global Allocation Fund – Wilshire also recommends removal of this fund from the watchlist. Short-term performance was strong, which helped bolster its long-term performance. Steve commented that they have done a nice job of keeping up with global equities while providing the protection of global bonds over a rolling 3-year period.

The Chair entertained a motion to accept Wilshire’s recommendation to remove Blackrock Global Allocation Fund and Voya Large Cap Value Fund from the watchlist and retain both funds in the plan. Motion by Derek Drummond, second by Susie Bauer.  
Motion carried.

## **9. Program Manager comments (Voya Investment)**

**Q4 2020 Activity and Metrics** – Paula Smith reviewed the Tomorrow’s Scholar program for the quarter including growth in sales, as well as the source of growth. She discussed the benefits of Voya Financial Advisors transitioning to Cetera creating greater distribution opportunities. As of December

31, 2020, AUM is up 6% in Wisconsin and 14% Nationwide. The average account balance in Wisconsin is \$17,654 compared with \$25,471 nationally.

Paula described improvements they have made to the plan including fee reductions and implementation of the strategic asset allocations changes. The plan has been recognized by SavingforCollege.com as ranking 5<sup>th</sup> for advisor-sold plans in year one and 1<sup>st</sup> among advisor-sold plans for years 3 and 5. She indicated how they continue to be a leader in omnibus availability and continue to expand.

Paula commented on how the Marketing group continues to focus on diversified marketing campaigns for the 529 plan to increase its awareness and increase new accounts. She also highlighted several different campaigns they are working on including a new commission schedule, Tax season and March madness. She concluded with discussing Voya's Purpose in Action 2021 Symposium and the work they are doing surrounding Diversity, Equity, and Inclusion.

## **10. Program Manager comments (TIAA/TFI)**

**Q4 2020 Activity and Metrics** – Shirley Yang reviewed the results for the Edvest College Savings plan. She mentioned that they reached new high for new accounts opened with a 27% increase in the 4<sup>th</sup> quarter which was the result of a successful holiday campaign. She discussed the average account balance and a few reasons that the Wisconsin plan may lag the national average. She discussed how the larger plans with higher AUMs drive the average balance up nationally and that a better indicator of plan performance is the growth rate, which Wisconsin is in line with the nation.

Shirley reviewed the Call Center performance data highlighting how the transition to a new platform and call center has resulted in improved performance data. The service level metric is well above the 85% target for the Plan while the abandonment rate is well below its 2% threshold.

**Marketing and Outreach report** – Catherine Burdick provided overview of the Edvest campaigns specifically the Holiday campaign, which was the biggest driver of growth this year, resulting in over 1,500 new accounts. The campaign benefited from extra marketing dollars that were pulled back from earlier in the year during the pandemic.

Conversion & Lifecycle Marketing highlights included the Evergreen digital web banners and retargeting that ran for only six weeks in October and early November has resulted in 114 new accounts so far although measurement is not complete. Catherine reviewed the Early Tax Campaign that began in late January as well as the 2021 Marketing Plan Highlights and its focus around five key pillars. She indicated that the largest part of the marketing plan and budget is on conversion and lifecycle marketing. She also highlighted the work of the field consultant over the prior year and the addition of a new consultant.

## **11. Old business**

### **a. Edvest Principal Plus Interest Portfolio credit rate**

Bill indicated the Edvest Principal Plus Interest Portfolio credit rate was reset to 1.20% as of 1/1/2021. Last year's rate was 2.00%

## **12. New business**

No new business, except to tell you language highlighting the expansion of the qualified higher education expense to include apprenticeships, K-12 tuition, and paying student loan debt has recently been added to Plan Supplements under both Plans.

### **13. Announcements**

The next meeting of the Board will be held on Wednesday, June 23, 2021, at 9:00 a.m. and will include investment and program management reports for Q2 2021. At this point, we're expecting the meeting to still be held virtually.

Linda noted follow-up action items:

- Will follow-up with Ashleigh regarding FAFSA updates.
- Will follow-up with Kim regarding Wisconsin Strong.
- Secretary Blumenfeld will follow-up regarding the tax deduction for ABLE.

### **14. Adjournment**

- a. Motion to adjourn the meeting by Dereck Drummond, second by Kim Shaul to adjourn at 11:54 a.m.

Motion Carried.