



State of Wisconsin
Department of Financial Institutions

Tony Evers, **Governor**

Kathy Blumenfeld, **Secretary**

COLLEGE SAVINGS PROGRAM

REGULAR COLLEGE SAVINGS PROGRAM BOARD MEETING
WEDNESDAY, DECEMBER 8, 2021

MINUTES

A meeting was held virtually via Cisco Webex on Wednesday, December 8, 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 Webex Virtual Conference

Secretary Kathy Blumenfeld, Derek Drummond (plus Jason Rector, SWIB), Sean Nelson, Bill Oemichen, Susie Bauer, Rachel Keith (Senator Alberta Darling office), Sen Alberta Darling, Aimee Biba, WAICU (representing Dr. Wegenke), Lacy Fox (Sen Johnson's office), Sen LaTonya Johnson, Jim Zylstra, and Abby Trawicki (Sen. Darling). Staff Liaisons Present: Linda Lambert and Jessica Fandrich.

Others Staff & Vendors Present Via Webex Virtual Conference

Wilshire: Steve DiGirolamo & Felicia Bennett

Voya: Paula Smith

TIAA: Shirley Yang, Glenn Friedman, James Mandler, Jeremy Thiessen, Vivian Tsai, and Douglas Harrison

DFI: Cody Kastorff, Catherine Haberland, Matt Lynch, and Jessica Wetzel

General Public Attendees: Justin Slaughter

Before beginning on agenda items, outgoing Board member Derek Drummond introduced his replacement, Jason Rector, and Jason shared his background and expressed his excitement to join the College Savings Program Board.

2. Agenda approval and public posting report

The agenda was received and staff reported that the meeting notice and agenda have been properly posted. Jim Zylstra motioned to approve the agenda. Sean Nelson seconded the motion. The motion carried.

3. Approval of the minutes of the September 15, 2021 Board Meeting

Susie Bauer moved to approve the September 15, 2021 College Savings Program Board meeting minutes. Derek Drummond seconded the motion. The motion carried.

Linda Lambert noted that there was a slight change to the regular December Board meeting agenda, and that Voya will be providing their investment update in March of 2022 instead of today.

4. Administrative Reports

- a. **Board Chair Comments** – Board Chairman Bill Oemichen gave a brief overview of Edvest and Tomorrow’s Scholar Q3 performance, sharing that Edvest has \$4,782B in Assets Under Management (AUM) (up 25.8% over 10/2020); 207,885 accounts (up 7%); and the average account size is \$23,005 (up 17.6% over last year). He specifically pointed out that in Q3, Edvest had over 4,500 new accounts opened, which was a 20% increase over 2020, noting that the industry's Q3 direct plan growth in new accounts increased only 13% in comparison. He added that Tomorrow's Scholar has \$2,483B in AUM (up 17%); 159,099 accounts (up 4%) over the same period last year. He expressed that these numbers show both plans are valued by citizens of Wisconsin and elsewhere.

- b. **DFI Secretary Blumenfeld Comments** – Secretary Blumenfeld thanked Program Managers, TFI and Voya as well as Wilshire for the efforts that they put into preparing for the Morningstar interviews held in October. She expressed that while we had hoped for an increase in plan rankings, both Edvest and Tomorrow’s Scholar retained their same ranking, but the College Saving Program and Program Managers will continue to work hard to move up the ladder. Additionally, Edvest was awarded Morningstar's Best in Class recognition again for the 8th consecutive year. Second, she shared that DFI hosted the Finance and Investment Challenge Bowl® (FICB) for the Madison Region in November and it was exciting to see the enthusiasm and knowledge students have around financial literacy. Third, she provided an update on the WI Strong program, sharing that over 12,000 state employees have created accounts and participated in the Financial Fitness Challenge since launching in early March – this includes over 10,000 who have completed a Financial Checkup. Additionally, Savi, a platform dedicated to helping those with student loan debt, is helping users figure out their best repayment option and qualify for the Public Service Loan Forgiveness (PSLF) program. Fourth, the Wisconsin Saves Program is being promoted under the WI Strong program where Wisconsin is serving as a pilot for the country to work with employers on helping their employees increase emergency and personal savings through payroll split-to-save deposits.

- c. **Program Director Comments-Linda Lambert, Program Financial Capability Officer** – Linda began by providing insight on industry trends. First, the FAFSA simplification process that was to be implemented for the 2022-2023 FAFSA has been delayed a year to the 2023-2024 school year. Until implemented, grandparent-owned 529 plans will continue to have an impact on need-based financial aid eligibility. Second, online enrollments more than doubled in 2020 for all undergraduate courses (from 36% to 75%), and undergraduate enrollments declined by 4% over 2019. Linda stated that this is significant to note because these changes could have an impact on future tuition rates for years to come. She also shared that the Wisconsin Department of Revenue announced the new tax-deductible contribution amounts for 2022: \$3,560 for married individuals filing jointly, or \$1,780 for individuals filing a separate return or a divorced parent. She also provided an update on several current and upcoming Edvest campaign efforts, including Edvest’s Holiday Promotion that runs from December 6th through December 20th, where new account owners will receive a \$50 matching deposit when they open a new account with at least a \$50 contribution and recurring contributions of \$25/month for a minimum of 6 months. To market the holiday promotion, the CSP team hosted a webinar on Monday, December 6th where over 50 people registered. Linda also shared two new marketing efforts the CSP will focus on in 2022, including the newborn-focused Smart Start pilot program where the CSP team will work with hospitals, predominantly in rural areas of the state, on helping to promote the importance of

college savings starting at birth. In addition, Edvest will celebrate its 25th Anniversary in 2022, and the team is planning several activities and events, including a year-long sweepstakes where 12 new or existing account owners will be awarded with a \$529 contribution to their Edvest account. Linda also called the Board's attention to the slide deck on Plan Governance and Administration Best Practices included in the Board materials as a timely and informative resource shared at the recent ISS Market Intelligence 529 Conference and presented by Andrea Feirstein. Lastly, Linda introduced Jessica Wetzel, the newest College Savings Program staff member. Jessica shared her excitement to be joining the team and shared a bit about her background in community and economic development.

7. Investment Consultant Comments (Wilshire Associates)

a. Third Quarter 2021 Market Activity and Investment Performance

Steve DiGirolamo reviewed 3rd quarter of 2021 asset class returns. He started by noting that markets in general just went through a volatile time. U.S. Equity asset class returns, and U.S. Core Bond returns were nearly flat over the quarter (0.1%).

Within the Edvest direct-sold plan, 67% of the total funds ranked in the top half of their respective peer universes over the trailing five-year period. Within the Tomorrow's Scholar Advisor Sold plan, 63% of the total funds ranked in the top half of their respective peer universes over the trailing five-year period.

For the 3rd quarter, 20 of the total 25 funds in Edvest, or 80%, ranked in the top half of their respective peer universes. For the 1-year period, all enrollment-year fund options reported double digit returns. He went on to discuss the Tomorrow's Scholar plan performance, sharing that 19 of the total 32 funds, or 59%, ranked in the top half of their respective peer universes. He stated that his firm expects to see continued volatility in market prices in 2022 related to uncertainty caused by the pandemic.

There are currently no funds on the Watchlist within the Edvest or Tomorrow's Scholar Plan.

8. Program Manager comments (TIAA)

a. Third Quarter Market Activity, Metrics, and Investment Performance Update

Shirley Yang discussed the Edvest plan performance for the 3rd quarter. With a market decline during Q3, plan assets decreased slightly from Q2, but year-over-year growth in assets remained strong, as well as growth in contributions and new accounts. Assets of \$4.611 billion were down 1% since last quarter, but up 20% compared to Q3 2020. Edvest was in-line with the direct plan industry assets, which declined 1% vs. Q2, and increased 21% compared to Q3 2020. With the market recovery in Q4, assets reached a high of \$4.861 billion. She noted that the next breakpoint of \$5 billion will reduce the plan management fee from 7bps to 6bps. Total accounts of 207,056 were also up by 7% compared to Q3 2020, compared with the direct plan industry account growth of 8%. Q3 redemptions were up 24% compared to Q3 2020. Shirley commented that the recovery in redemptions is likely due to the re-opening of schools and a switch back to campus/in-person learning. She also showed that online engagement remains the main avenue for opening, managing, and making withdrawals from accounts. Additionally, Shirley shared that the most popular investment portfolios in Q3 (based on the change in the number of open portfolios since last quarter) were the 2038/2039 Enrollment Portfolio, followed by the Large Cap Stock Index

Portfolio, followed by the Index-Based Aggressive Portfolio. This is important to note that we are attracting accounts for newborn and younger beneficiaries.

Lastly, Shirley updated the Board on customer service efforts and call center volume. Call volume of 10,913 in Q3 was 36% lower than last year when we had higher volumes largely due to the March 2020 platform transition. TIAA continues to monitor the quality of calls in an environment where the call center industry has been experiencing higher turnover. The CSP team and TIAA are scheduling a due diligence visit with Ascensus for Q1 2022.

b. Third Quarter Marketing & Outreach Report

Mary Lehman introduced herself as the new TIAA Marketing lead and reviewed marketing efforts for the 3rd Quarter. A combination of direct mail, email, digital, earned media, social media, and grass roots activities via Edvest's two dedicated field consultants were used in Q3 to raise awareness for the Edvest College Savings Plan. In September, Edvest celebrated College Savings Month with a campaign that included a \$50 match offer for new Edvest accounts opened with \$50 or more and a recurring contribution or payroll direct deposit of \$25 or more for six consecutive months. Edvest reached almost 64,000 Wisconsin households with direct mail and delivered close to 269,000 emails during this year's College Savings Month campaign. These efforts resulted in 45 new accounts being opened with a total opening contribution amount of \$54,500. Earned media efforts during Q3 were focused on the College Savings Month promotion, with 626,481 impressions valued at almost \$94,000. Nearly 22,000 non-paid Facebook impressions were served during the quarter resulting in 108 clicks and 355 video views were recorded. Almost 1.3 million paid Facebook impressions were served during the quarter resulting in over 12,000 clicks and almost 90,000 page engagements. Paid LinkedIn ads generated 662 clicks from its 180,640 impressions. And finally, community outreach efforts during the quarter resulted in three new employers offering Edvest at Work payroll direct deposit, 132 one-on-one consumer meetings, six consumer webinars, three Human Resource webinars, and an Financial Planner Association (FPA) Wisconsin Continuing Education webinar delivered.

c. Propose Investment Allocation Adjustments & Other Suggested Changes to the Edvest Plan line-up for 2022 (Vote).

Glenn Friedman discussed TFI's completed asset allocation study that was executed to evaluate the overall investment strategy for Edvest. The study reviewed Plan fees, simulated the probability of outpacing tuition inflation in the Enrollment Year Portfolios, and a fresh look at the investment menu and account owner options. Based on this review, TFI proposed two recommendations for the Board to review, discuss, and vote on.

Recommendation #1: Replace the TIAA-CREF Real Estate Securities Index Fund with the Vanguard Real Estate Index Fund; Replace the TIAA-CREF Inflation-Linked Bond Fund with the Vanguard Short-Term Inflation-Protected Index Fund; Replace the TIAA-CREF High Yield Fund with the Vanguard High Yield Corporate Fund.

Recommendation #2: Merge the Cash Equivalents and Bank CD Portfolio into the Principal Plus Interest Portfolio.

In response to the second recommendation, Derek Drummond noted that it serves TIAA to have this product, and if adopted, the CSP Board should continue having the conversation around what

is the best option for conservative investors. He also noted that the Fed is expected to raise rates between two to four times in 2022. Glenn responded by stating that TIAA does not believe it will significantly benefit from the merger, noting that they want participants to get a significant return and believe the change will be well received by account owners.

Senator Johnson motioned to adopt Voya's 2022 Investment Allocation Adjustments & Other Suggested Changes to the Edvest Plan line-up for 2022. Senator Darling seconded the motion. The motion carried.

9. Program Manager comments (Voya Investment)

a. Third Quarter 2021 Activity and Metrics

Paula Smith reviewed the Tomorrow's Scholar program for the 3rd Quarter. Paula shared sales of \$187 million in Q3 is up 28% over the same period in 2020. Tomorrow's Scholar continues to do very well in Wisconsin as well as in states with no tax-deduction benefit. AUM for Wisconsin accounts is up \$92 million with an 8% growth year-over-year. The top 3 firms by sales for Q3 are Morgan Stanley, Ameriprise, and Edward Jones. The average account balance for in-state accounts is \$19,347. Paula noted that the average account balance is a little low as most in-state account owners contribute only up to the maximum tax-deductible amount each year. Nationwide, AUM is up \$79 million with a 7% growth year-over-year. We are seeing the greatest growth in Tomorrow's Scholar accounts outside of Wisconsin in Florida, Missouri, and California. The average account balance for out-of-state accounts is \$29,145. Paula shared that Voya continues to make improvements that benefit Plan participants, including launching a new investor portal, launching a new gifting portal that saw more than 52 gifts in one month, working toward implementing e-forms in early 2022 to offer enhanced functionality for advisors, and continuing to leverage Ameriprise omnibus distribution, and the upcoming grandparent change to 529 plans. She also highlighted that, as of 9/30/2021, Tomorrow's Scholar is ranked 1st in investment performance over 3 and 5 years by SavingForCollege.com.

b. Third Quarter Marketing & Outreach Report

Paula shared that marketing efforts for the quarter have been successful, with emails having a great open and click-through rate. LinkedIn ads have successfully been targeting financial advisors in Wisconsin and nationally. Additionally, Voya plans to work with DFI's College Affordability Specialist, Cheryl Rapp, on Financial Aid info sessions in 2022 as advisors have many questions related to the FAFSA and Financial Aid.

10. Old business

a. None

11. New business

a. Recommendation to increase the current college savings plans' \$516,000 maximum account balance per beneficiary, based on the 2021 College Board's Tuition Inflation index for Private, Nonprofit 4-year institutions. (Vote)

Linda Lambert reviewed the proposal to adjust the maximum account balance per beneficiary from \$516,000 to \$527,000 based on a review of college tuition inflation forecasts from the College Board.

Susie Bauer moved to approve the new maximum account balance. Derek Drummond seconded the motion. The motion carried.

12. Announcements

- a.** The Board, Secretary Blumenfeld, and the CSP team thanked outgoing Board member Derek Drummond for his commitment and contributions to the Wisconsin College Savings Program over the years and recognized him with a certificate of appreciation. Derek thanked everyone.
- b.** The next meeting of the Board will be held in-person on Wednesday March 16, 2022, at 9:00 a.m. at 4822 Madison Yards Way, first floor conference room N133/N134, Madison, Wisconsin (the new Hill Farms State Office Building). *Note: The CSP team and DFI Secretary Blumenfeld will be monitoring the pandemic closely and will continue to offer a virtual option for Board members and the community to attend if we are unable to meet safely in-person.*

Linda Lambert shared the 2022 CSP Board Meeting schedule:

- Wednesday, March 16, 2022 at 9:00 a.m.
- Wednesday, June 15, 2022 at 9:00 a.m.
- Wednesday, September 14, 2022 at 9:00 a.m.
- Wednesday, December 7, 2022 at 9:00 a.m.

13. Adjournment

Secretary Blumenfeld motioned to adjourn the meeting at 11:46 a.m. Susie Bauer seconded the motion. The motion carried.