



State of Wisconsin
Department of Financial Institutions

Tony Evers, **Governor**

Kathy Blumenfeld, **Secretary**

COLLEGE SAVINGS PROGRAM

**REGULAR COLLEGE SAVINGS PROGRAM BOARD MEETING
WEDNESDAY, MARCH 16, 2022**

MINUTES

A meeting of the Wisconsin College Savings Program Board of Directors was held virtually via Microsoft Teams on Wednesday, March 16, 2022 at 9:00 a.m.

a. Call to Order and Roll Call

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

Board Members Present Via Webex Virtual Conference

DFI Secretary-designee Cheryll Olson-Collins, Jason Rector, Sean Nelson, Rachel Keith (proxy Sen. Darling), Bill Oemichen, Susie Bauer, Dr. Rolf Wegenke, Sonja Umberger (Dr. Wegenke's office), Sen. LaTonya Johnson, Lacy Fox (Sen. Johnson's office), and Ashleigh Edgerson. DFI Staff Liaisons Present: Linda Lambert and Cheryl Rapp.

Others Staff & Vendors Present Via Webex Virtual Conference

Wilshire: Steve DiGirolamo

Voya: Paula Smith, Lanyon Blair, and Paul Zemsky

TIAA: Shirley Yang, Glenn Friedman, Mary Lehman, Jackie James, Jeremy Thiessen and Vivian Tsai

DFI: Matt Lynch and Jessica Wetzel

General Public Attendees: Justin Slaughter

Before beginning on agenda items, Board Chair Bill Oemichen welcome Secretary-designee Cheryll Olson-Collins to her first meeting in her new role. He also announced that founding College Savings Program Board member, Dr. Rolf Wegenke, is retiring from his position as president and chief executive officer of the Wisconsin Association of Independent Colleges and Universities (WAICU) and from the Wisconsin College Savings Program Board. Bill thanked Dr. Wegenke for his twenty-two years of service and recognized his impact and dedication to the program. Dr. Wegenke thanked Bill, the Board, and staff, and shared that he leaves the Board with gratitude.

b. Agenda approval and public posting report

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

c. Approval of the minutes of the December 8, 2021 Board Meeting

Sean Nelson moved to approve the December 8, 2021, College Savings Program Board meeting minutes. Susie Bauer seconded the motion. The motion carried.

d. Administrative Reports

- a. Board Chair Comments** – Board Chairman Bill Oemichen gave a brief overview of Edvest and Tomorrow's Scholar Q4 performance, sharing that Edvest has \$4.64B in Assets Under Management (AUM) (up 8.3% over 02/2021); 212,496 accounts (up 6.5%); and the average account size is \$ 21,839 (up 1.7% over last year). He added that Tomorrow's Scholar has \$2.332B in AUM (up 1%); 162,338 accounts (up 5% over the same period last year). Bill also shared that there are two upcoming training opportunities for Board members to consider attending to increase their knowledge around 529 College Savings Plans: the National Association of State Treasurers TMTS Conference (June 6-9 in San Antonio, TX) and SWIB's Investment Forum (June 14-15 in Madison, WI).
- b. DFI Secretary-designee Comments, Cheryll Olson-Collins** – Secretary-designee Olson-Collins shared that she is looking forward to representing the CSP Board and noted DFI is proud to offer the program. She went on to provide the Board with updates on several efforts led by the Office of Financial Capability at DFI, starting with the WI Strong program, indicating that while initial grant funding to offer the program has run out, DFI plans to continue to drive the program and partner with the Financial Fitness Group to offer a holistic financial wellness program to public employees throughout the state by partnering with Wisconsin employers in rural and low-to-moderate income areas. The Financial Fitness Group was just awarded an Equitable Recovery Grant to continue the program for another two years. She noted that Edvest and Savi are currently offered in the workplace through the program. She also shared that over 100 employers throughout the state promote the Wisconsin Saves program which encourages employees to set up automatic and split-to-save for the unexpected and to help reduce debt and build wealth. WI Saves was a one-year pilot and DFI received a grant to continue to fund it through this summer. Lastly, Secretary-designee Olson-Collins announced that the Wisconsin Coalition on Student Loan Debt was awarded an Equitable Recovery Grant to address the impact of the pandemic on FAFSA completion by high school students in WI. Cheryl Rapp, who recently joined the College Savings Program, is a Board member on the Coalition.
- c. Program Director Comments-Linda Lambert, Financial Capability Director** – Linda began her updates by letting Board members know that the September Board meeting currently set to be held virtually on Wednesday, September 14, will need to be rescheduled and that everyone will be asked to share their availability for Tuesday, September 20 and Thursday, September 22 at the end of the meeting. Second, Linda announced that the College Savings Program has added a new team member, Cheryl Rapp, who previously served as DFI's College Affordability Specialist. Cheryl will continue to share her expertise on FAFSA and has already co-presented with Voya's Field Consultants to their RIAs. Third, Linda shared that it is tax-season and reminded the Board of 2022 tax-deductible contributions amounts - \$3,560 for married individuals filing jointly, or \$1,780 for individuals filing a separate return, or a divorced parent, and that contributions can be made for 2021 and 2022 until April 18 of this year. Third, Linda announced that Edvest is celebrating its 25th anniversary throughout 2022 with a sweepstakes that randomly awards \$529 into an Edvest account every month. As of the end of February, nearly 7,000 individuals have entered the sweepstakes and more than 3,000 entrants have provided testimonials on why Edvest is important to them. Linda also noted that the College Savings Program would love the Board's

help in promoting our 25th Anniversary sweepstakes and in making sure their networks are aware of the 2021 tax deadline for contributions. Fifth, Linda announced that Governor Evers signed into law that DFI continue to research and provide a recommendation on the best option for the State to set up an ABLE Program. Wisconsin is one of only a handful of states not offering ABLE Program today. Jessica Wetzel on the CSP team has agreed to take the lead on this important initiative and we'll continue to keep you updated on our progress. Lastly, Linda shared that a bill was introduced that includes desired changes to Wisconsin 529 plans be implemented. Changes include increasing the tax-deduction amounts to \$5,000 and \$2,500, removing the divorced parent penalty, and clarifying the language around and increasing the employer tax credit. Before moving on to the next agenda item, Linda invited Cheryl Rapp to introduce herself. Cheryl did so and shared a bit about her background working in financial capability and her more than twenty years of service with the State of Wisconsin.

7. Investment Consultant Comments (Wilshire Associates)

a. Third Quarter 2021 Market Activity and Investment Performance

Steve DiGirolamo reviewed 4th quarter of 2021 asset class returns. He started by noting that. U.S. Equity asset class returns were strong (9.6%) and International Equity asset class returns did well, though not quite as strong (1.9%), and U.S. Core Bond returns were flat over the quarter (0.0%).

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, 69% of the total funds ranked in the top half of their respective peer universes over the trailing five-year period. For the 4th quarter, 21 of the total 25 funds in Edvest, or 84%, ranked in the top half of their respective peer universes. He went on to discuss the Tomorrow's Scholar plan performance, sharing that 27 of the total 32 funds, or 84%, ranked in the top half of their respective peer universes. There are currently no funds on the Watchlist within the Edvest or Tomorrow's Scholar Plan.

Steve stated that his firm expects to see continued volatility in market prices related to uncertainty caused by the ongoing pandemic, geo-political climate, and the Federal Reserve Board raising interest rates. Bill Oemichen asked about the war in Russia and how that is impacting our plans. Steve noted that both Program Managers will discuss any specific exposure, but in general, Russian exposure it is extremely limited for both plans. Russia made up only 3.6% of the emerging market index at the end of the year, and in the international equity market, Russian exposure is less than 1%.

Steve also provided the Board with two administrative updates. First, he shared that Wilshire has their first contract renewal opportunity coming up in September of 2022. He stated that it has been an honor to work with the Board, serve as an advisor to its members, and provide support to staff through program monitoring over the past four years. He would like to continue providing services going forward and looks forward to discussing more in the future. Second, shared that Wilshire will be delivering their annual 529 Plan landscape report to the Board this summer. The landscape report goes deeper into trends and peer review.

8. Program Manager Comments (Voya Investment)

a. Fourth Quarter 2021 Activity and Metrics

Paula Smith reviewed the Tomorrow's Scholar program for the 4th Quarter. Paula shared sales of \$214 million in Q4 is up 16% over the same period in 2020. Overall, 2021 was the strongest sales year for Tomorrow's Scholar since the inception of the plan. The average account balance for in-state accounts is \$19,000, and sales were up 17% YOY. The top 3 firms by sales for Wisconsin are Morgan Stanley, Ameriprise, and Edward Jones. Paula noted that when Voya moved to omnibus with Ameriprise, it became challenging to provide AUM by state because the data now shows that all Ameriprise AUM is in Minnesota where they are based, even though the advisors are in multiple states. The industry is actively working on this to get more transparent data. In the meantime, Paula instead provided sales by state, which shows that account ownership is greatest in Wisconsin, California, Minnesota, Florida and Missouri. Nationwide, the average account balance is \$29,000 with sales up 15% YOY. The higher average account balance for accounts outside of Wisconsin is due to in-state account owners saving to hit the maximum annual tax-deductible amount, rather than maximize contributions.

Other plan highlights Paula shared include improvements to the Tomorrow's Scholar investor and advisor portal to incorporate a gifting feature (400 gifting pages created since launch); new omnibus opportunities for 2022; and, the addition of a financial aid calculator to the Tomorrow's Scholar website and the plan to deliver more partnership presentations on financial aid with Cheryl Rapp on the CSP team for financial advisors and their clients.

b. Fourth Quarter Marketing & Outreach Report

Paula shared that marketing efforts for the quarter have been successful, with Q4 marketing and outreach efforts focused on year-end gifting. Emails had strong click-through rates and webinars had good attendance. LinkedIn ads have successfully been targeting financial advisors in Wisconsin and financial advisors who work at Ameriprise or Edward Jones in other target states. She also highlighted that, as of 12/31/2021, Tomorrow's Scholar is ranked 1st in investment performance over 3 and 5 years by SavingForCollege.com. The next marketing campaigns will focus on tax-time and leveraging March Madness.

c. Propose investment allocation adjustments and other suggested changes to the Tomorrow's Scholar Plan line-up for 2022 (Vote)

Paul Zemsky informed the Board that Halvard Kvalle has retired from Voya as Head of Manager Research & Selection and that Lanyon Blair has been named as his replacement. Lanyon worked closely with Paul on the suggested underlying manager changes. Voya proposed changes to asset allocations, risk-based portfolios, and to underlying managers.

Strategic Asset Allocation Changes: Within equities, increase International in the far-dated Age-Based options and decrease Emerging Markets; Reduce equities by 2% in the Age 17 Option; Within fixed income, increase High Yield and Core Fixed Income in far-dated portfolios and decrease International Bonds.

Risk-Based Portfolios Changes: Reduce exposure to US Small Cap in the Aggressive Growth, Growth Plus, and Balanced; Modest reduction of US Large Cap Growth; Reduce exposure to International Bonds in Growth Plus and Balanced Options; Increase equities by 2% in Growth Plus.

Changes to Underlying Managers: Add VY T. Rowe Price Capital Appreciation Portfolio; Replace VY JPMorgan Small Cap Core and Voya Small Company with VY Columbia Small Cap Value II Portfolio and Voya Small Cap Growth; Within single fund options, replace Voya SmallCap Opportunities Option with Voya Small Cap Growth Option.

Jason Rector asked Lanyon about the rate of turnover in underlying managers over the years.

Lanyon said turnover has been low, if any turnover at all, but would follow-up with specifics. Bill Oemichen asked if there would be a significant difference in fees from the funds we're going out of, to the funds we're going into. Lanyon and Paula shared that combined, the fees will decrease a small amount.

Jason Rector motioned to adopt Voya's 2022 Investment Allocation Adjustments & Other Suggested Changes to the Tomorrow's Scholar Plan for 2022. Susie Bauer seconded the motion. The motion carried.

9. Program Manager comments (TIAA)

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

Shirley Yang discussed Edvest 4th quarter market performance. Edvest reached new highs during the 4th quarter and finished the year with double-digit annual growth across key plan statistics, including assets, contributions, and new accounts. Average account size of \$23,126 is up 8.4% since Q4 2020. Total AUM of \$4.892B is up 15.8% vs year-end 2020. Q4 contributions of \$443.1million were the highest ever for a fourth quarter and 2021 contributions rose 20.6% YOY, which was the highest ever. New account openings were also very strong, with 6,091 new accounts opened in Q4 and a total of 21,651 new accounts were opened in 2021, which is the highest ever in a calendar year. Edvest as well as the industry experienced an increase in redemptions, likely due to maturity of the industry and the lower-than-expected redemptions in 2020 due to the pandemic. Qualified redemptions make up over 90% of total redemptions.

Additionally, Shirley shared a few administrative statistics and updates. Call volume in Q4 was down 38% vs Q4 2020. The most popular investment portfolios in Q4 were the same as Q3, which were 2038/2039 Enrollment Portfolio, followed by the Large Cap Stock Index Portfolio, followed by the Index-Based Aggressive Portfolio. Lastly, Edvest's Q4 rankings with Savingforcollege.com were strong, with 1-year performance ranking 5th out of 54 plans, 3-year performance ranking 10th out of 48 plans, and 5-year performance ranking 15th out of 40 plans.

Glenn Friedman also provided a timely update to the Board regarding Edvest funds that had Russian exposure within them. Glenn explained that at the start of the war in Russia the exposure to Russian securities within the Edvest plan was extremely minimal, and now it is effectively zero. There are two underlying funds in the Edvest program that had exposure to Russia. First is the TIAA-CREF Emerging Markets Equity Index Fund which tracks the MSCI emerging markets benchmark and is used in glidepath. MSCI removed Russia from its investible country base and the fund manager has divested of its assets. The second fund is the DFA Emerging Markets Core Equity Portfolio which is used exclusively in the actively managed multi-asset portfolios, which has a much smaller asset amount. TIAA has been in touch with DFA and learned that as of February their exposure to Russian securities was only 27 bps and they halted the purchase of new Russian securities in anticipation of sanctions. Their plan was to divest of all Russian holdings in their portfolios, as market conditions allow. Even if they hadn't divested, Glenn stated that exposure is a de minimis amount at the portfolio level.

b. Fourth Quarter Marketing & Outreach Report

Mary Lehman reviewed Edvest marketing efforts for the 4th Quarter. Currently a Tax-Time marketing campaign is in full-swing which promotes new account ownership and encourages current account owners to contribute to an Edvest account before the tax deadline. In December, Edvest hosted a Holiday 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. The campaign was promoted via direct mail, email, and digital media which resulted in 1,672 new accounts. In addition, Edvest uses evergreen marketing throughout the year to always be active in the market. Edvest Field Consultants also focused on promoting Edvest at Work to Wisconsin employers, offered one-on-one meetings with current and potential account owners, and hosted monthly educational webinars. Marketing efforts also include consistent messaging to current account owners and four onboarding emails specifically to new account owners to acquaint them with Edvest and help keep them on track. Mary also highlighted the Edvest 25th Anniversary Sweepstakes which will randomly award one winner every month with a \$529 deposit into an Edvest account. Testimonials collected as part of this campaign will be used to promote the program via social media and other marketing avenues.

10. Old business

a. None

11. New business

Investment Consultant contract overview (DFI)

Matt Lynch, Chief Legal Counsel at DFI, educated the Board on what their role will be in the contract renewal with Wilshire. At the June 16, 2022 CSP Board meeting, the Board will be asked to discuss, deliberate, and vote on whether or not to renew the contract with Wilshire for a three-year period. There are two options to renew the contract, each for three years, and this would be the first renewal since entering into the contract with Wilshire in 2018. If the Board exercises the renewal option, DFI will handle the formal process.

12. Announcements

- a.** The next meeting of the College Savings Program Board will be held in-person on Wednesday June 15, 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-designee Olson-Collins 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.*
- b.** The September College Savings Program Board meeting, originally scheduled for Wednesday, September 14 needs to be rescheduled. Cheryl Rapp conducted a survey of Board member availability for two different dates: September 20 and September 22. The date with the majority available will be announced following the meeting.

Remaining 2022 CSP Board Meeting schedule:

- 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

Senator Johnson motioned to adjourn the meeting at 11:18 a.m. Susie Bauer seconded the motion.
The motion carried.