



State of Wisconsin
Department of Financial Institutions

Tony Evers, **Governor**

Cheryll Olson-Collins, **Secretary-designee**

COLLEGE SAVINGS PROGRAM

REGULAR COLLEGE SAVINGS PROGRAM BOARD MEETING
WEDNESDAY, JUNE 15, 2022

MINUTES

A meeting of the Wisconsin College Savings Program Board of Directors was held in-person at the Department of Financial Institutions, 4822 Madison Yards Way, Madison, Wisconsin on Wednesday, June 15, 2022 at 9:00 a.m. A virtual option was also available via Microsoft Teams.

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 In-Person & via Microsoft Teams

DFI Secretary-designee Cheryll Olson-Collins, Bill Oemichen, Jason Rector, Sean Nelson, Kim Shaul, James Zylstra, Sen. Alberta Darling, Rachel Keith (proxy Sen. Darling), Bill Oemichen, Susie Bauer, Dr. Rolf Wegenke, and Ashleigh Edgerson.

Others Present In-Person & via Microsoft Teams

Wilshire: Steve DiGirolamo

Voya: Paula Smith, Lanyon Blair, Paul Zemsky, James Harper

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

DFI: Patti Epstein, Linda Lambert, Jessica Wetzel, Cheryl Rapp, and Matt Lynch

General Public Attendees: Justin Slaughter

b. Agenda approval and public posting report

The agenda was received and staff reported that the meeting notice and agenda have been properly posted. Kim Shaul motioned to approve the agenda. James Zylstra seconded the motion. The motion carried.

c. Approval of the minutes of the March 16, 2021 Board Meeting

With regard to the draft minutes, Vivian Tsai (TIAA) requested that Jeremy Thiesen (TIAA) be moved from the general public attendees to TIAA attendees. With this change, Sean Nelson motioned to approve the March 16, 2022, College Savings Program Board meeting minutes. Sen. Alberta Darling 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 performance through May 2022, sharing that Edvest has \$4.5B in assets under management (AUM) (down 2.2% over 05/2021) across 215,197 accounts (up 5.6%) with an average account size of \$20,908 (down 7.3% over last year). He added that Tomorrow's

Scholar has \$2.22B in AUM as of May 2022 (down 9.77%) and 163,569 accounts (up 2.54% over the same period last year).

- b. DFI Secretary-designee Comments**– Secretary-designee Cheryll Olson-Collins gave an update on WI STRONG, a financial literacy pilot program currently available to public employees in Wisconsin. While the grant supporting WI STRONG expired at the end of February 2022, DFI continues to drive the program and partner with the Financial Fitness Group. The focus of the program’s next phase is to expand its offerings to all Wisconsin employees, not just public employees, by working with employers in an effort to build financial security throughout the state. The new name of the program is Elevate Wisconsin: The Course to Financial Security, which was announced at the June 14, 2022 Governor's Council on Financial Literacy and Capability meeting. She shared that the announcement was well received, and local businesses have already shown interest in sponsoring the program. She reminded everyone that Edvest at Work is offered through the Program's curriculum.
- c. Program Director Comments**– Financial Capability Director Linda Lambert noted that Edvest is continuing to celebrate its 25th anniversary with a sweepstakes that awards one randomly selected sweepstakes entrant per month with a \$529 contribution to an Edvest account. Five winners have already been awarded and celebrated via social media. As of the end of May, nearly 8,000 individuals have entered the sweepstakes, and almost 3,500 entrants have provided testimonials on why Edvest is important to them. Second, Linda announced that Governor Tony Evers proclaimed May 29th as 529 Day in the state of Wisconsin, and that College Savings Program staff hosted webinars to celebrate and promote the match deposit incentive being offered as part of Edvest’s 529 Day campaign. To qualify for a \$50 match deposit, a new account must have been opened with \$50 (or more) and set-up with recurring contributions of \$25 (or more) for six consecutive months. Third, Linda shared that College Savings Program staff member Jessica Wetzel is working on developing a research and recommendation report for the Wisconsin Legislature regarding the establishment of an ABLE program in the state. The final report will be submitted by September 1, 2022. Finally, Linda noted that College Savings Program staff attended the in-person National Association of State Treasurers 2022 Treasury Management Training Symposium from June 6–9, 2022 in San Antonio, Texas where they attended workshops on 529 College Savings Plans and ABLE programs to further their knowledge and learn from peers from across that nation.

7. Investment Consultant Comments (Wilshire Associates)

a. First Quarter 2021 Market Activity and Investment Performance

Steve DiGirolamo reviewed 1st Quarter 2022 asset class returns, which saw equity markets down due to inflation, raising interest rates, geo-political issues, and continued supply chain issue caused by the ongoing COVID-19 pandemic. Steve noted that U.S. equity asset class returns were down 4.9%, international equity asset class returns were down 5.3%, and U.S. Core Bond returns were down 5.9%.

Within the Edvest direct-sold plan, 60% 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, 56% of the total funds ranked in the top half of their respective peer universes over the trailing five-year period. For the 1st quarter, 20 of the total 25 funds in Edvest, or 80%, ranked in the top half of their respective peer universes. For Tomorrow’s Scholar, 9 of the total

32 funds, or 28%, 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 while performance was down for the quarter, long-term performance for both plans continues to be strong.

Steve also provided the Board with an update on the services Wilshire provides to the College Savings Program Board. Wilshire's Wisconsin College Savings Consultant Team consists of two Managing Directors, a Senior Associate, and a Senior Analyst who work together to assist the Board with monitoring and evaluating performance of the investment options, potential alternatives, and the ongoing progress of the plans.

8. Program Manager comments (TIAA)

a. First Quarter 2022 Market Activity, Metrics, and Investment Performance Update

Shirley Yang discussed Edvest 1st quarter market performance. Total AUM of \$4.7 billion is up 7.3% vs Q1 2021, exceeding the direct plan industry's growth of 6.8%. Average account size declined from the previous quarter to \$22,062 but was up 1.2% vs Q1 2021. Q1 contributions of \$132.1 million were up 0.4% vs Q1 2021 and were the highest ever for a Q1, driven by re-contributions to existing accounts. New account openings were down 23.2% vs Q1 2021 which is consistent with declines experienced throughout the industry. Q1 redemptions of \$101.7M were higher than Q1 2021 by 14.4%. Qualified redemptions represented 94.1% of total redemptions. Additionally, total qualified withdrawals since plan conversion (Oct 2012) are nearing \$2B (\$1.895m).

Shirley also shared the following administrative updates: call volume in Q1 was down 35% vs Q1 2021; the most popular investment portfolios in Q1 were the 2038/2039 Enrollment Portfolio, followed by the Large Cap Stock Index Portfolio, followed by the 2036/2037 Enrollment Portfolio; and 95% of new accounts were opened online, and of the accounts opened online, 64% signed up for recurring contributions.

b. First Quarter 2022 Marketing & Outreach Report

Mary Lehman reviewed Edvest marketing efforts for the 1st Quarter, which included the introduction of a commemorative 25-year Edvest logo and a 25-year anniversary sweepstakes. In addition, the Q1 Tax-Time campaign highlighted the tax advantages of an Edvest account and encouraged action by this year's April 18th tax filing deadline. As of March 31, the campaign resulted in 500 new accounts being opened. Mary also provided an update on efforts currently underway to update the Edvest website and logo as part of a brand refresh. The updated website will enhance useability and the logo will align with the Department of Financial Institutions branding. Both projects should be completed in Q1 2023.

9. Program Manager Comments (Voya Investment)

a. First Quarter 2022 Activity and Metrics

Paula Smith reviewed the Tomorrow's Scholar program for the 1st Quarter. She noted that market volatility has had a near-term impact on 529 sales, but that sales are in line with 2020. Sales of \$72 million through April 2022 is down 15% over the same period in 2021. New accounts have grown by 4,700 YOY and are concentrated on younger beneficiaries. Average account size is down by 6% to \$20,414. The top 3 firms by sales for Wisconsin are Morgan Stanley, Ameriprise,

and Edward Jones. Account ownership is greatest in Wisconsin, California, Minnesota, Massachusetts, and Florida.

Paula also provided the following administrative updates: strategic asset allocation changes were implemented on 4/27/22; the newer Tomorrow's Scholar gifting portal has resulted in nearly \$1 million in gifts; and enhancements to the investor and advisor portal are planned for 2022 which will improve functionality for advisors. Additionally, she noted that advisors are beginning to talk about upcoming changes to grandparent-owned 529 plan rules where assets in grandparent-owned 529 plans will not have any impact on need-based financial aid eligibility.

b. First Quarter 2022 Marketing & Outreach Report

Paula explained that marketing efforts for the quarter focused on diversified marketing campaigns to increase awareness and prompt action by financial advisors. Specific efforts included a March Madness campaign and the launch of a new financial aid calculator that estimates Expected Family Contribution (EFC) and evaluates the impact of changes in income and assets on eligibility for need-based aid.

c. First Quarter 2022 Investment Performance

Paul Zemsky reviewed Tomorrow's Scholar quarterly plan performance, noting that while performance for the quarter was down, long-term plan performance over five and seven years has been strong. Paul then reviewed capital markets, anticipating they will continue to be volatile until inflation peaks. Lanyon Blaire then reviewed asset allocations for the Tomorrow's Scholar plan. He shared the following: within far-dated portfolios the plan holds an equity overweight which is concentrated in US Large Caps; for near-dated portfolios, the plan is neutral in equities versus its strategic benchmark and retains a US bias in equities and bonds; and across Fixed Income, the plan is short duration and holds a minor overweight to US High Yield bonds. Board member Jason Rector asked if Voya plans to stick with the strategy of far-dated portfolios holding an equity overweight, to which Lanyon responded affirmatively.

10. Old business

a. None

11. New business

a. New September Board meeting date

The September Board meeting has been rescheduled and will be held virtually on Tuesday, September 20 at 9:00 a.m.

b. 2023 Board Meeting Dates

College Savings Program Team staff will work with Board members to determine dates for 2023 meetings.

c. Deliberations regarding potential contract renewal for Investment Consultant

Matt Lynch, Chief Legal Counsel at DFI, explained the Board's role in contract discussions with Wilshire. Wilshire's contract with the Program is set to expire at the end of August 2022, with two mutual options to extend the contract for an additional three years apiece. Wilshire has articulated that they are willing and able to continue their relationship with the Wisconsin College Savings Program Board. Matt requested that the

Board enter into a closed session pursuant to Wis. Stat. s. 19.85(1)(e) to discuss the potential contract extension.

Board Chair Bill Oemichen welcomed a motion to go into closed session. Kim Shaul motioned to approve going into a closed session. Sean Nelson seconded the motion. The motion carried to enter a closed session at 11:38 a.m.

d. Vote: Investment Consultant contract renewal option

Member of the WI College Savings Program Board returned to normal session at 12:04 p.m. to vote on the Investment Consultant contract renewal option. Board Chair Bill Oemichen welcomed a motion regarding the contract with Wilshire Associates. James Zylstra moved to approve extending the contract on the same terms for an additional three years. Jason Rector seconded the motion. The motion passed unanimously.

12. Announcements

- a. The next meeting of the Wisconsin College Savings Program Board will be held virtually on Tuesday, September 20, at 9:00 a.m.
- b. Secretary-designee Cheryll Olson-Collins and Linda Lambert announced that Linda will be retiring from the State of Wisconsin Department of Financial Institutions on July 1, 2022. Secretary-designee Olson-Collins thanked Linda for her commitment to the College Savings Program and wished her well. The Department of Financial Institutions will be posting for the position Linda is vacating today, Wednesday, June 15, 2022.
- c. Remaining 2022 Board Meeting Schedule
 - September 20, 2022 – Virtual (9:00am - 12:00pm)
 - December 7, 2022 – Virtual (9:00am - 12:00pm)

13. Adjournment

Board Chair Bill Oemichen welcomed a motion to adjourn the meeting at 12.15 p.m. Sean Nelson motioned to adjourn the meeting. Susie Bauer seconded the motion. The motion carried.