



State of Wisconsin
Department of Financial Institutions

Tony Evers, **Governor**

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

COLLEGE SAVINGS PROGRAM

**REGULAR COLLEGE SAVINGS PROGRAM BOARD MEETING
TUESDAY, SEPTEMBER 20, 2022**

MINUTES

A meeting of the Wisconsin College Savings Program Board of Directors was held virtually via Microsoft Teams on Tuesday, September 20, 2022 at 9:00 a.m.

1. Call to Order and Roll Call

Chairman Bill Oemichen called the regular meeting of the College Savings Program Board to order at 9:01 a.m. with a quorum present.

Board Members Present Via Microsoft Teams

DFI Secretary-designee Cheryll Olson-Collins, Bill Oemichen, Jason Rector, Kim Shaul, James Zylstra, Rachel Keith (Sen. Darling's office), Sen. LaTonya Johnson, Lacy Fox (Sen. Johnson's office), Kathy Paul (WAICU proxy), Susie Bauer, and Ashleigh Edgersen.

Others Present Via Microsoft Teams

Wilshire: Steve DiGirolamo, Felicia Bennett

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

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

DFI: Jessica Wetzel, Cheryl Rapp, Patti Epstein, Catherine Haberland, and Matt Lynch

General Public Attendees: Justin Slaughter

2. 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.

3. Approval of the minutes of the June 15, 2022 Board Meeting

James Zylstra motioned to approve the June 15, 2022, College Savings Program Board meeting minutes. Kim Shaul seconded the motion. The motion carried.

4. Administrative Reports

- a. Board Chair Comments** – Board Chairman Bill Oemichen gave a brief overview of Edvest and Tomorrow's Scholar performance through August 2022, sharing that Edvest has \$4.3B in assets under management (AUM) (down 8.9% YOY) across 215,724 accounts (up 4.8%) with an average account size of \$20,049 (down 13% YOY). He added that Tomorrow's Scholar has \$2.1B in AUM as of (down 15.8% YOY) and 168,060 accounts (up 6.0% YOY).

- b. DFI Secretary-designee Comments**– Secretary-designee Cheryll Olson-Collins began her comments by sharing that September is College Savings Month. She then provided several updates on the program and its Edvest plan. First, she shared that DFI completed negotiations with TIAA-CREF to exercise the third and final mutual option to extend their program management agreement by three years. As part of this agreement, TIAA-TFI immediately reduced the plan management fee charged to Edvest participants from 7 to 6 basis points. Second, she shared that in August, Edvest passed an important milestone, announcing that over the past 10 years the plan has paid out \$2 billion in qualified withdrawals. And lastly, she announced that Jessica Wetzel has been selected as the DFI’s new Financial Capability Director, replacing Linda Lambert who retired in July. Jessica formerly served as a College Investment Program Finance Officer with DFI and the College Savings program. In her new role, Jessica will set strategy for the Wisconsin 529 College Savings Program in collaboration with the CSP Board, partner with the program’s vendors, and work to increase awareness of and participation in Wisconsin’s Edvest and Tomorrow’s Scholar college savings plans throughout the state.
- c. Program Director Comments** – Financial Capability Director, Jessica Wetzel, thanked Secretary-designee Olson-Collins and shared that she is excited to be stepping into this new and important role. She began her updates by informing the Board she has been working with Secretary Olson-Collins, TIAA, Voya, Wilshire, and Board members Bill Oemichen and Susie Bauer to prepare for Edvest and Tomorrow’s Scholar annual Morningstar analysts interviews that will take place in late September. She will inform the Board of the new ratings once announced. Additionally, she shared three administrative updates, including that both plans recently completed financial audits with nothing outstanding; that the CSP team held operations and investment due diligence calls with Ascensus (record keeper for Edvest), TIAA/Nuveen, and Vanguard in August and that the Wisconsin College Savings Program Investment Policy Statement (IPS) was updated to reflect staff changes and current benchmarks for each plan – the current IPS was included with Board materials. Jessica also informed the Board of a new CSA partnership forming with the Northern Ozaukee Schools Scholarship Foundations in which the Foundation will gift \$25 into incoming kindergarten students Edvest accounts while DFI/Edvest provide education to parents and families. Lastly, she shared that the ABLE (Achieving a Better Life Experience) research and implementation recommendations report that DFI was required to complete per legislation signed by Governor Tony Evers in February of 2022 was submitted to the Legislature on September 1. The full report was included with Board materials.

5. Program Manager comments (TIAA)

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

Vivian Tsai began by sharing that Shirley Yang, longtime Relationship Manager on the Edvest plan, has taken a new role within TIAA. Bill Oemichen thanked Shirley for her years of partnership with DFI. Shirley joined the meeting to share that she has enjoyed working with DFI over the years and appreciates everything she has been able to do for the plan. Vivian shared that TIAA is actively interviewing for a new Edvest Relationship Manager.

Vivian then moved into discussing Edvest 2nd quarter Plan updates. She began by noting that the entire 529 plan industry has been impacted by market volatility. During the second quarter, Edvest continued to target milestones reached in 2021, a standout year for the Plan, and posted favorable results in new accounts and contributions compared to the industry. Total AUM of \$4.274 billion is down 8.4% vs Q2 2021, while the direct-plan industry experienced a decline in

assets of 8.74%. Average account size declined from the previous quarter to \$19,892 and was down 13% vs Q2 2021. Q2 contributions of \$90.9 million were down 4.3% vs Q2 2021 while direct-plan industry contributions were down 5.2%. For reference, while contributions were down YOY, Q2 2022 contributions were up significantly compared to previous years: +29% vs. Q2 2020, +12% vs. Q2 2019, and +18% vs. Q2 2018. New account openings of 4,304 was down 12.8% vs Q2 2021, while the direct-plan industry experienced a decline 18.1% year-over-year. Total accounts at quarter-end of 215,566 were up 5.2% vs. Q2 2021, compared with direct plan industry account growth of 6.7%.

Vivian also shared enhancements to the Edvest investment menu went into effect in May, which included replacing three underlying investment funds in the multi-asset portfolios with Vanguard underlying funds and consolidating the Cash Equivalents and Bank CD portfolio with the Principal Plus Interest Portfolio. These changes in addition to the reduction in asset-based fees have made Edvest the fifth lowest cost 529 plan in the nation.

First Quarter 2022 Marketing & Outreach Report

Jackie James, Senior Marketing Manager with TIAA, reviewed Edvest's marketing efforts for the 2nd Quarter, which included the launch of the Edvest 2022 529 Day campaign which resulted in a contribution rate of 45.7% and average contribution of \$584, year to date. Monthly email and direct mail to prospective account owners, and emails to current account owners, have been engaged with successfully. Q3 marketing and promotion efforts will focus on College Savings Month, and Q1 2023 will see a new Edvest website and logo/tagline.

Q: Board member Jason Rector asked that TIAA provide goals for each marketing campaign as part of presentations going forward so that the Board has a better understanding of whether the results being shared are on target.

A: Jackie James indicated that this information will be included moving forward.

Q: Board member Ashleigh Edgerson asked that she be provided with updated Edvest materials once the new logo/website are live so that she may use them in her outreach efforts.

A: Jessica Wetzel confirmed with Ashleigh that she will provide her with everything she needs in 2023 once all updates are complete.

6. Program Manager Comments (Voya Investment)

a. Second Quarter 2022 Activity and Metrics

Paula Smith reviewed the Tomorrow's Scholar program for the 2nd Quarter. She noted market volatility has had an impact on 2022 sales, but YTD sales are slightly ahead of 2020 after coming off the strongest year ever in 2021. Sales of \$107M through July 2022 are down 16% over the same period in 2021, but up 2% over the same period in 2020. New accounts have grown by nearly 3,800 YOY. Average account size is approximately \$19,000 (\$13,000 for in-state accounts vs \$31,000 for out of state accounts). States without tax benefits are typically in their top ten for sales. Broker/dealer partners Northwestern Mutual, Ameriprise, Edward Jones, and Raymond James have shown YOY growth.

Paula also provided the following administrative and operations updates: the Tomorrow's Scholar gifting portal has seen 576 gifting pages created and nearly \$650K in gifts come in since launching; E-Forms launched in August 2022 which provides Financial Advisors with a faster

and more streamlined process for enrolling clients into the Program, while requiring no physical mailings; and that they have opportunities to move to omnibus with Baird and Schwab in 2022-2023.

Second Quarter 2022 Marketing & Outreach Report

Paula explained that marketing efforts for the quarter focused on diversified marketing campaigns for 529 to increase awareness and new accounts and elicit action by financial advisors. They continue to have success on LinkedIn by targeting in-state advisors with Financial Advisor job titles located in Wisconsin as well as focusing on advisors in states with key broker dealer partners with resources and webinars. In May they also launched a 529 Day campaign and Q3 will include a campaign focused on College Savings Month. Finally, Paula shared that on July 25, 2022, Voya IM completed the transfer of certain assets and investment teams comprising the substantial majority of Allianz Global Investors' (AllianzGI) U.S. business (AGI U.S.) to Voya Investment Management (IM), and on August 2, 2022, Voya IM announced that it signed a definitive agreement to acquire Czech Asset Management, L.P. (CAM), a leading private credit asset manager dedicated to the U.S. middle market.

Q: Board Chair Bill Oemichen asked if Allianz has become the single largest shareholder of Voya.

A: Paula indicated she will get specific details and provide that following the meeting.

7. Investment Analysis & Discussion (Wilshire Associates) – CLOSED SESSION*

- a. Bill Oemichen welcomed a motion to move into closed session. Susie Bauer motioned to move into closed session. Kim Shaul seconded the motion. A rollcall vote was taken and passed unanimously. The motion carried. The Board entered closed session at 10:03am.

The Board returned to full session at 11:15am.

*A motion to go into closed session at this meeting is authorized pursuant to sections 19.85(1)(e) and 19.36(5) of the Wisconsin Statutes to consider confidential strategies for the investment of public funds, including the review of risk profiles of portfolio investments.

8. Old business

- a. None

9. New business

a. Ethics Refresher

Matthew Lynch, DFI's Chief Legal Counsel, provided an annual overview of key ethics laws for Board members, including information on Corruption (Wis. Stat. s. 19.45); Conflicts of Interest (Wis. Stat. s. 19.46); Influence by Lobbyists (Wis. Stat. s. 13.625); Public Records (Wis. Stat. ss. 19.32 to 19.35); and Open Meetings (Wis. Stat. ss. 19.82 to 19.98).

b. 2023 Board Meetings – discussion on in-person/virtual

The Board discussed and decided to meet virtually for the majority of 2023, with one in-person meeting to take place in June. This can be adjusted if desired by the board or DFI at any point within the year.

c. Action Items

Board Chair Bill Oemichen asked for Jessica Wetzel to share any action items that were identified during the meeting of which there were two. First, the CSP team will provide Board member Ashleigh Edgerson with updated Edvest materials in 2023 once the new website and logo have been implemented. Second, Paula Smith (Voya) will provide Board member Bill Oemichen with an answer to his question regarding if Allianz has become the single largest shareholder of Voya.

10. Announcements

- a.** The next meeting of the Wisconsin CSP Board will be held virtually via Microsoft Teams on Wednesday, December 7, at 9 a.m. CT.
- b.** 2023 Board Meeting Schedule
 - Wednesday, March 8, 2023 (virtual)
 - Wednesday, June 7, 2023 (in-person at DFI Headquarters)
 - Wednesday, September 20, 2023 (virtual)
 - Wednesday, December 13, 2023 (virtual)

11. Adjournment

Board Chair Bill Oemichen welcomed a motion to adjourn the meeting at 11:42am. Susie Bauer motioned to adjourn the meeting. Sean Nelson seconded the motion. The motion carried.