



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, DECEMBER 7, 2022

MINUTES

A meeting of the Wisconsin College Savings Program Board of Directors was held virtually via Microsoft Teams on Wednesday, December 7, 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 9:00 a.m. with a quorum present.

Board Members Present Via Microsoft Teams

DFI Secretary-designee Cheryll Olson-Collins, Bill Oemichen (Chair), Kim Shaul (Co-Chair), Jason Rector (SWIB), James Zylstra (WTCS), Pamela Seelman (WAICU), Sean Nelson (UW System), Susie Bauer, and Ashleigh Edgerson.

Others Present Via Microsoft Teams

Wilshire: Steve DiGirolamo

Voya: Paula Smith, Lanyon Blair, and James Harper

TIAA: Vivian Tsai, Regina Carmon, Jackie James, Jeremy Thiessen, Keller Hoak

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

General Public Attendees: Justin Slaughter and Chris Krochalk

2. Agenda Approval and Public Posting Report

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

3. Approval of the Minutes of the September 20, 2022 Board Meeting

Susie Bauer motioned to approve the September 20, 2022, College Savings Program Board meeting minutes. Jason Rector seconded the motion. The motion carried.

4. Administrative Reports

- a. Board Chair Comments** – Board Chairman Bill Oemichen began by sharing that Alberta Darling announced her retirement from the Senate as of 12/1/2022 and stated that she stepped off the Wisconsin College Savings Program Board effective that day as well. Oemichen acknowledged that Darling was unable to attend this meeting and thanked her for her many contributions to the College Savings Program since beginning her Board service in 2000.

Oemichen then gave a brief overview of Edvest and Tomorrow's Scholar plan data through October 2022, sharing that Edvest has \$4.2B in assets under management (AUM) (down 12% YOY) across 216,850 accounts (up 4.3%) with an average account size of \$19,404 (down 15.6% YOY). He added that Tomorrow's Scholar has \$2.01B in AUM (down 19% YOY) and 162,662 accounts (up 2.2% YOY).

- b. DFI Secretary-designee Comments** – Secretary-designee Cheryl Olson-Collins began her comments by thanking everyone for attending the last College Savings Program Board meeting of 2022. She also acknowledged the 2022 election results and noted that she is looking forward to the coming years. Secretary-designee Olson-Collins then noted that, over the summer, DFI and the CSP worked very closely with TIAA, Voya, Wilshire, and Board members to prepare for annual interviews with Morningstar analyst for both plans. She shared that on November 2, Morningstar released their 2022 529 Plan rankings where Edvest was upgraded to a Silver rated plan – something we are very proud of. She also noted that the Tomorrow's Scholar plan retained its Negative rating, noting that vast majority of advisor-sold 529 plans have landed on Morningstar's Negative and Neutral list. She closed by saying that both TIAA and Voya would be discussing their ratings as part of their comments and wished everyone a healthy holiday.
- c. Program Director Comments** – Financial Capability Director, Jessica Wetzel, thanked Secretary-designee Olson-Collins and shared two brief program updates. First, Wetzel announced that the Department of Revenue shared the new 529 plan tax-deductible contributions amounts for 2023, which increased slightly from 2022 to \$3,860 for married individuals filing jointly (up from \$3,560) or \$1,930 for individuals filing a separate return, or a divorced parent (up from \$1,780). Lastly, Wetzel shared that the Edvest Holiday Bonus Promotion ends on Friday, December 9, 2022. This campaign deposits \$50 into every new account opened between 11/14-12/9, when the account is opened with at least \$50 and recurring contributions of \$30/month (or more) for six consecutive months is received. The College Savings Program team has been working with community partners and state agencies to promote the campaign. Wetzel also noted that the last part of the year will see both plans continuing to focus on contributing to or opening a 529 account as a unique and lasting gift for children.

5. Program Manager Comments (Voya Investment)

a. Third Quarter 2022 Activity and Metrics

Paula Smith reviewed the Tomorrow's Scholar program for the 3rd Quarter. She noted market volatility has had a continued impact on 2022 sales and that increased distributions from fall/Q3 tuition payments also had a near-term impact on program AUM. Sales of \$141M through October 2022 are down 17% over the same period in 2021 but up from the same period in 2020. New accounts have grown by nearly 3,500 YOY and the average account size is approximately \$17,000 (\$12,000 for in-state accounts vs \$28,000 for out of state accounts). Voya continues to target states that do not have a state tax-deduction. In Wisconsin, Ameriprise, Edward Jones, and Morgan Stanley have top sales.

Smith also provided the following administrative and operations updates: the Tomorrow's Scholar gifting portal has seen 635 gifting pages created and nearly \$700K in gifts has come in since launching – year-end gifting is a main focus for advisors right now; working with employers on Group 529 in the workplace has also been growing; Voya is continuing to place a major focus on growing omnibus relationships with broker dealers as there is a distinct

correlation between omnibus and raising sales; and finally, continuing to focus on providing timely information on financial aid opportunities and changes around grandparent-owned 529's will continue into 2023.

Third Quarter 2022 Marketing & Outreach Report

Paula explained that marketing efforts for Q3 focused on diversified marketing campaigns to increase 529 plan awareness and open new accounts by eliciting action from financial advisors. A new marketing initiative delivers personalized email reminders/prompts to advisors and account owners around birthdays, holidays, graduation to encourage gifting and contributing. Promoting E-Forms to FA's continues as well. And finally, in Q3 the plan executed a College Savings Month email campaign that targeted 529 advisors in Wisconsin and focus states. Smith shared marketing efforts for Q4 will focus heavily on gifting.

In closing, Smith addressed the Tomorrow's Scholar 2022 plan rating from Morningstar, noting that they will be speaking with analysts soon to gain more clarity around the rating and better understand how to potentially make improvements. Board member Susie Bauer noted that during the Tomorrow's Scholar meeting with Morningstar, the state asked if their analyst compare advisor-sold plans other advisor-sold plans only, to which the response was that the analyst compare advisor-sold to all other plans, including direct-sold. Bauer noted that this is not comparing apples to apples.

b. Fund Review - Voya Multi-Manager International Equity Fund

Lanyon Blair began by providing the Board with a product overview of the Voya Multi-Manager International Equity Fund, sharing Voya has two multi-manager international equity funds that it uses across all its products, not just 529 plans. It is designed to provide higher volatility, growth-oriented exposure to non-US equity securities, which they pair with their lower volatility, value-oriented Multi-Manager International Factors fund. They feel this combination provides a broadly diversified international equity exposure. The fund has three sub-advisors: Wellington, Baillie Gifford, and Polaris. As the market has shifted from growth stocks to value stocks, this fund has struggled. Blair shared that a research initiative for Voya in the immediate future will be determining if there is a need to find a replacement sub-advisor for Baillie Gifford to help correct for the fund's struggling performance.

Board Chair, Bill Oemichen, asked if the advisor was changed, would that take place before year-end 2023. Blair indicated that yes, if changing the advisor was deemed appropriate, the shift would be before year-end 2023. Investment Consultant, Steve DiGirolamo, asked if part of the analysis for a new manager would also include reviewing the weighting between managers. Blair responded that reviewing weighting will be part of their analysis.

6. Program Manager Comments (TIAA)

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

Vivian Tsai began by sharing that TIAA has welcomed a new Relationship Manager for the Edvest plan, Regina Carmon. Tsai then moved into discussing Edvest Q3 Plan updates. She noted that continued market volatility has caused AUM to fluctuate. She also shared that Q3 is when the 529 plan industry sees a high number of redemptions occur, mostly in August, but outflow occurs July through September. This trend heavily impacts AUM and net flows. Net outflows of \$64 million increased by 30% vs. Q3 2021, compared to a 39% increase in net outflows across the

entire direct plan industry. At the end of Q3, AUM of \$4.034B was down 13% vs Q3 2021, the same decline seen across the direct plan industry. Average account size declined by 6% since last quarter to \$18,674 and was down 16% vs. Q3 2021, just over the average direct plan industry decline of 15.3%. Q3 contributions of \$77.3 million were down 12% vs Q3 2021 while direct plan industry contributions were down 13%. Tsai shared that industry-wide, gross sales indicate an overall contraction on a year-over-year quarterly and year-to-date basis in Q3 2022. 216,013 total accounts at quarter-end were up 4% vs. Q3 2021, compared with direct plan industry account growth of 5.2%. Tsai also closed by stating that the team is thrilled that Edvest earned an upgraded Silver rating from Morningstar and thanked Board members Susie Bauer and Bill Oemichen, as well as DFI staff, for their efforts in the RFI and interview process.

Third Quarter 2022 Marketing & Outreach Report

Jackie James reviewed Edvest's marketing efforts for Q3, which included the launch of a College Savings Month campaign which resulted in a contribution rate of 32.3% and average contribution of \$487, year to date. Email and direct mail to prospective account owners, and emails to current account owners, have been engaged with successfully. Q4 marketing and promotion efforts will focus on a new October bonus promotion campaign, a year-end gifting and Holiday bonus promotion, and elevating the Edvest Morningstar rating upgrade to Silver. James shared that in December the Edvest 25th Anniversary Sweepstakes will come to a close.

b. Proposed Edvest Investment & Asset Allocation Adjustments for 2023

Jeremy Thiessen began by sharing that TFI has completed this year's asset allocation study to evaluate the overall investment strategy for Edvest with primary focus on: a review of the Enrollment Year Portfolios and all Static Portfolios for the plan; the simulated probability of outpacing tuition inflation in the Enrollment Year Portfolios; and a fresh look at the investment menu compared with the industry trends. Thiessen shared that based on this review, TFI recommends no changes for 2023. However, in May of 2023, the 2022-2023 Enrollment Year Portfolio will be merged into the In-School Portfolio and a 2040/2041 Enrollment Year Portfolio will be launched. Thiessen noted that the recommendation to make no changes for 2023 is due in large part to not wanting to adjust during a period of such market volatility.

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

- a. Board Chair, Bill Oemichen, welcomed a motion to move into closed session. Sean Nelson motioned to move into closed session. Susie Bauer seconded the motion. A rollcall vote was taken and passed unanimously. The motion carried. The Board entered closed session at 10:08am.

The Board returned to full session at 11:02am.

**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. Proposed Investment Allocation Adjustments & Potential Watchlist Updates

- a. Kim Shaul motioned to accept TIAA's asset allocation recommendations for the Edvest plan. Susie Bauer seconded the motion. The motion carried.

- b. Kim Shaul motioned to move the Voya Multi-Manager International Equity Fund to the Watchlist. Jim Zylstra seconded the motion. The motion carried.

9. Old Business

- a. None

10. New Business

a. Tomorrow's Scholar State Administrative Fee Review

Jessica Wetzel reviewed the proposal to further lower the State Administration Fee (Board Fee) on the Tomorrow's Scholar Plan from 6bps to 5bps and to remove a sunset date on the fee reduction. She provided an explanation of the current fee structure for both plans as a reference and noted that with the reduction to 5bps, the College Savings Program will still be able to cover its administrative and operational costs. Several Board members noted that they would like to regularly review the fee for additional opportunities to reduce if feasible.

Susie Bauer moved to reduce the State Administration Fee (Board Fee) charged on the Tomorrow's Scholar plan from 6bps to 5bps and to remove a sunset date on the fee reduction. Sean Nelson seconded the motion. The motion carried.

b. College Savings Plans' Maximum Account Balance Annual Increase

Jessica Wetzel reviewed the proposal to adjust the maximum account balance per beneficiary from \$527,000 to at least \$545,445 (or \$545,500 if rounding slightly) based on a review of college tuition inflation forecasts from the College Board and per Wisconsin Statutes, Ch. 224.50, College savings program.

Susie Bauer moved to increase the maximum account balance to \$545,500. Ashleigh Edgeron seconded the motion. The motion carried.

11. Announcements

- a. The next meeting of the Wisconsin CSP Board will be held virtually via Microsoft Teams on Wednesday, March 8, 2023 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)

12. Adjournment

Bill Oemichen welcomed a motion to adjourn the meeting at 11:21am. Sean Nelson motioned to adjourn the meeting. Susie Bauer seconded the motion. The motion carried.