



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, MARCH 8, 2023

MINUTES

A meeting of the Wisconsin College Savings Program Board of Directors was held virtually via Microsoft Teams on Wednesday, March 8, 2023 at 9:00 a.m.

1. Call to Order and Roll Call

Vice Board Chair Kim Shaul called the regular meeting of the College Savings Program Board to order at 9:00 a.m. with a quorum present. Shaul noted that she would be chairing today's meeting in the absence of Board Chair Bill Oemichen.

Board Members Present Via Microsoft Teams

DFI Secretary-designee Cheryll Olson-Collins, Kim Shaul (Co-Chair), Jason Rector (SWIB), James Zylstra (WTCS), Eric Fulcomer (WAICU), Sean Nelson (UW System), Lacy Fox (Sen. Johnson's office) Susie Bauer, and Ashleigh Edgerson.

Others Present Via Microsoft Teams

Wilshire: Steve DiGirolamo and Felicia Bennett.

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

TIAA: Vivian Tsai, Regina Carmon, Jackie James, Jeremy Thiessen, and Jordan Jones.

DFI: Jessica Wetzal, Cheryl Rapp, Matt Lynch, and Patti Epstein.

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. James Zylstra motioned to approve the agenda. Susie Bauer seconded the motion. The motion carried.

3. Approval of the Minutes of the December 7, 2022 Board Meeting

Susie Bauer motioned to approve the December 7, 2022, College Savings Program Board meeting minutes. Jason Rector seconded the motion. The motion carried.

4. Administrative Reports

- a. Vice Board Chair Comments** – Vice Board Chair Kim Shaul began by sharing a brief overview of Edvest and Tomorrow's Scholar plan data through January 2023, sharing that Edvest has \$4.49B in assets under management (AUM) (down 4.6% YOY) across 219,117 accounts (up 3.5%) with an average account size of \$20,486 (down 7.8% YOY). She added that Tomorrow's Scholar has \$2.11B in AUM (down 11% YOY) and 162,329 accounts (up 0.5% YOY) with an average account size of \$13,010 (down 11% YOY). Shaul then introduced the newest member of

the Wisconsin College Savings Program Board of Directors, Dr. Eric Fulcomer. Dr. Fulcomer is the new President of the Wisconsin Association of Independent Colleges and Universities (WAICU). Before joining WAICU, Dr. Fulcomer served for more than six years as Rockford University's 18th president. He has a combined experience of thirty years in administrative work at independent colleges in Ohio and Illinois, primarily in the areas of student life and enrollment management. Dr. Fulcomer thanked Shaul for the introduction and shared that he is looking forward to serving on the College Savings Board.

- b. DFI Secretary-designee Comments** – Secretary-designee Cheryl Olson-Collins began her comments by thanking everyone for attending the first College Savings Program Board meeting of 2023. She then acknowledged that the Governor's proposed 2023-25 budget was announced in mid-February, and she was happy to report that the budget recommends an increased spending authority for DFI. Olson-Collins also highlighted that the proposed budget included a recommendation that DFI implement and administer an ABLE program either directly or by entering into an agreement with another state or alliance of states, noting that the budget provides expenditure and position authority to administer the program. She also shared that there is bipartisan ABLE legislation that mirrors the Governor's budget. Lastly, Olson-Collins shared that DFI is nearing the end of a complete redesign of the Department's website, and thanked board member, Susie Bauer, for providing feedback on the College Savings Program's website pages. The new DFI website will provide a cleaner and more user-friendly interface for customers. Once the site is live, the Board will be informed via email.
- c. Program Director Comments** – Financial Capability Director, Jessica Wetzel, thanked Secretary-designee Olson-Collins and shared several program updates. First, Wetzel announced that the College Savings Program will have a new staff member beginning on March 13 who has extensive experience in financial education and a passion for helping families and communities save for higher education. Wetzel then shared that tax season is well underway and that contributions made to an Edvest or Tomorrow's Scholar account by the tax deadline of April 18, 2023, are eligible for a 2022 state income tax-deduction. Additionally, Wetzel shared that College Savings Program staff is ramping up education and outreach efforts to leverage National Financial Literacy Month, celebrated in April. Part of this year's outreach efforts include partnering with libraries across the state that are hosting "The Big Read" events where children will receive a free financial literacy focused book and parents will receive Edvest materials and invitations to presentations on developing a higher education savings strategy. And lastly, Wetzel shared that the College Savings Program along with the Wisconsin Coalition on Student Debt is again hosting a Money Smart Wisconsin Essay contest where Wisconsin's graduating high school seniors are encouraged to submit a short essay on how they plan to cover the cost of higher education for a chance to win a \$1000 scholarship in the form of an Edvest account contribution. Cheryl Rapp has been leading this effort and the Coalition has secured enough sponsorship dollars to administer 12 scholarships. Winners will be announced in mid-April.

5. Program Manager Comments (TIAA)

a. Fourth Quarter 2022 Plan Activity

Regina Carmon reviewed Edvest Q4 Plan activity. Carmon noted that the entire 529 industry was met with a challenging 2022. Q4 2022 was a strong quarter for Edvest, with year-end AUM at \$4.3B. This was an increase in assets of 7% vs. Q3 2022, however, the year finished with a 12% decrease in assets YoY which was in line with the industry overall. Average account size

increased by 5% since last quarter to \$19,619 but was down 13% vs. Q4 2021. Q4 contributions of \$111.6 million were up 44% vs Q3 2022 but were down 13% YoY. 4,925 new accounts were opened in Q4, and total accounts at quarter-end of 219,190 were up 1% vs. Q3 2022 and up 4% YoY. Q4 redemptions of \$69.1M were the same as Q4 2021 and a 51% decrease from the previous quarter, which is in-line with industry trends of increased withdrawals in the fall. Carmon shared that 94.2% of plan withdrawals were for qualified expenses, which shows outflows are primarily being used for their intended purpose. Rollovers coming into program exceeded rollovers leaving the program for another 529 plan. Vivian Tsai added that TIAA consistently works very closely with CSP staff to pivot and adapt through challenging times.

Board member Jason Rector asked if call center data was tracked at a level where the state can understand what calls coming in are about. Vivian Tsai (TIAA) noted that calls received tend to align with the current season – for example, during tax season, calls are about tax-deductions, or in the fall, there are questions about how to take a qualified distribution.

Fourth Quarter 2022 Marketing & Outreach Report

Jackie James reviewed Edvest marketing efforts for Q4, which included the launch of two campaigns, held in October and December. Each campaign did very well in exceeding its goals for new accounts, contribution amounts, and email open rates. In a Q1 2023 preview, James noted that Edvest will be launching a tax-time campaign beginning in February, and shared campaign goals for new accounts and contributions. Tax-time campaign outcomes will be highlighted at the next Board meeting. James also shared that in March, Edvest will be launching its new brand and website.

6. Program Manager Comments (Voya Investment)

a. Fourth Quarter 2022 Activity and Metrics

Paula Smith thanked the Board for the time on the agenda today to be able to provide an overview of their 2022 accomplishments and focus areas for 2023. Smith began by first touching on plan activity, stating that market volatility continued to negatively impact 529 sales into the end of 2022 and that the trend is continuing into the new year. Sales of \$175M for 2022 were down 18% over the prior year. Sales were spread across 183 broker/dealers nationally, with Ameriprise, Northwestern Mutual, and Raymond James showing YoY growth. When looking at sales by state, Smith noted that there is nuance to the numbers, as omnibus partner firms have assets that sit in states where the broker/dealers reside (ex., Minnesota for Ameriprise). Sales in Wisconsin were down YOY, but up from same period in 2020. Voya continues to target states that do not have a state tax-deduction. On a national level, Voya focuses on rollovers into the program. In Wisconsin, Ameriprise, Edward Jones, and Morgan Stanley have top sales.

b. 2022 Accomplishments, Marketing Activities, and 2023 Goals

Smith then moved into sharing 2022 accomplishments, stating that their main goal for the program is continuous improvement. Tomorrow's Scholar made improvements in several areas, including delivering well-received marketing campaigns/webinars for advisors and a top-performing 529 LinkedIn campaign; 2022 plan sales were above the median for the entire industry; focus on e-forms has provided advisors with a more streamlined process for enrolling clients into the Plan; Voya is industry-leading in the Omnibus space, leading seven relationships currently; the Tomorrow's Scholar gifting portal has produced 800 gifting pages and nearly \$1M in gifts; finally, Tomorrow's Scholar launched an enhanced financial aid calculator that allows

advisors and participants to estimate a child's Expected Family Contribution (EFC) in order to better target savings goal. Smith also shared that Tomorrow's Scholar is given high priority with Voya's 529-trained salesforce, and focus is on key state's with less attractive in-state plans. Interactions include branch meetings, 1:1's, and mainstage presentations at conferences. Smith then shared that in 2023, Voya will continue to highlight the unique features of the Tomorrow's Scholar Plan and make improvements that benefit participants, including improving the investor and advisor portal, leveraging new parameters around Secure 2.0 and the allowable Roth IRA rollover conversion, implementing proposed Strategic Asset Allocation changes (pending Board approval), streamlining their product offering, and continuing to grow plan assets.

c. Proposed Tomorrow's Scholar 2023 Investment Changes

Paul Zemsky began by sharing the Voya's 2023 Portfolio themes for Tomorrow's Scholar, noting that Voya's Mutli-Asset Strategies and Solutions (MASS) team believes the economy is likely to deteriorate in the year ahead, but markets will do better, though not great. Proposed strategic asset allocation changes to the plan include: Modest increase in Emerging Markets equities in the far-dated Age-Based options and in the Risk-Based options (except Ultra Conservative); Modest increase to US Mid Cap in all Age- and Risk-Based options to diversify away from a tech heavy weighting in large cap; Reinitiate a modest position in Global Real Estate within far-dated Age-Based options and the Aggressive Growth and Growth Plus options within Risk-Based to add more yield to the Portfolios; Increase Core Fixed Income and decrease Short Duration Bonds in Mid-Dated Age-Based Options to extend duration; No change to equity/bond mix. Proposed changes to underlying managers include: Increase passive in more efficient asset classes to reduce overall fees (Increase passive US Large Cap Core and reduce active Growth and Value managers; Add Voya International Index Port I to introduce passive within International Developed Equities); Add VY CBRE Global Real Estate I due to our asset allocation decision.

The proposed investment changes are in line with Voya's latest long-term forecasts for asset class returns, risks and correlations. Voya believes that blended investment fees will decrease because of the changes and that the proposed portfolios are well positioned to keep pace with forecasted tuition inflation. If adopted, changes would be implemented on 4/26/2023.

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

- a.** Board Vice Chair, Kim Shaul, welcomed a motion to move into closed session. Eric Fulcomer motioned to move into closed session. Sean Nelson seconded the motion. A rollcall vote was taken and passed unanimously. The motion carried. The Board entered closed session at 10:43am.

The Board returned to full session at 11:23am.

8. Proposed Tomorrow's Scholar 2023 Investment Changes - VOTE

- a.** Kim Shaul welcomed a motion to accept Voya's 2023 strategic asset allocation recommendations for the Tomorrow's Scholar plan. Susie Bauer motioned to accept Voya's 2023 strategic asset allocation recommendations. Jason Rector seconded the motion. The motion carried.

9. Old Business

- a. None

10. New Business

None

11. Announcements & Action Items

- a. The next meeting of the Wisconsin CSP Board will be held in-person at DFI Headquarters on Wednesday, June 7, 2023 at 9:00 a.m. CT.
- b. Action Items
 - i. Voya to send Jason Rector assumptions that were used to create stress test of portfolios vs. projected tuition inflation slide.
 - ii. Jessica Wetzel will send the board the following items: links to both the new DFI website and the new Edvest website as they go live; Tomorrow's Scholar March Madness bracket; Wilshire's most recent 529 Landscape Report for review.
 - iii. Jessica Wetzel will send Ashleigh Edgerson Edvest tax-time marketing collateral and new Edvest marketing materials once approved for use.
- c. Remaining 2023 Board Meeting Schedule
 - Wednesday, June 7, 2023 (in-person at DFI Headquarters)
 - Wednesday, September 20, 2023 (virtual)
 - Wednesday, December 13, 2023 (virtual)

12. Adjournment

Kim Shaul welcomed a motion to adjourn the meeting at 11:29am. Susie Bauer motioned to adjourn the meeting. Sean Nelson seconded the motion. The motion carried.