



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 13, 2023

MINUTES

A meeting of the Wisconsin College Savings Program Board of Directors was held virtually via Microsoft Teams on Wednesday, December 13, 2023 at 9:00 a.m.

1. Call to Order and Roll Call

Board Chair, Bill Oemichen, called the regular meeting of the College Savings Program Board to order at 9:02 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), Eric Fulcomer (WAICU), Sean Nelson (UW System), Susie Bauer, Ashleigh Edgerson, and Lacy Fox (Sen. Johnson's office).

Others Present Via Microsoft Teams

Wilshire: Steve DiGirolamo

Voya: Paula Smith and James Harper

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

DFI: Jessica Wetzel, Cheryl Rapp, Chelsea Wunnicke, Matt Lynch, Patti Epstein

General Public Attendees: Justin Slaughter and Ronan O'Brien

2. Agenda Approval and Public Posting Report

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

3. Approval of Minutes - September 20, 2023 Board Meeting

Susie Bauer motioned to approve the September 20, 2023, College Savings Program Board meeting minutes. Kim Shaul seconded the motion. The motion carried.

4. Administrative Reports

- a. Board Chair Comments** – Bill Oemichen gave a brief overview of Edvest and Tomorrow's Scholar plan data through October 2023, sharing that Edvest has \$4.5B in assets under management (AUM) (up 6.7% YOY) across 224,479 accounts (up 3.5% YOY) with an average account size of \$20,001 (up 3.1% YOY). He added that Tomorrow's Scholar has \$2.0B in AUM (up 1% YOY) across 162,482 accounts (no change YOY), with an average account size of \$18,058 (up 2% YOY).

- b. DFI Secretary-designee Comments** – Secretary-designee Cheryll Olson-Collins began her comments by thanking everyone for attending the last College Savings Program Board meeting of 2023. She then shared that on November 2, Morningstar released their 2023 529 Plan rankings where Edvest retained its Silver rating – something we are very proud of as this is the tenth year in a row that the Edvest plan has received a best-in-class rating. She also noted that the Tomorrow’s Scholar plan retained its Negative rating, noting that vast majority of advisor-sold 529 plans continue to land on Morningstar’s Negative and Neutral list. She closed by saying that TIAA, Voya, and Wilshire would be discussing these ratings and wished everyone a healthy holiday.
- c. Program Director Comments** – Financial Capability Director, Jessica Wetzel, thanked Secretary-designee Olson-Collins and shared one brief update related to one piece of legislation that impacts the Wisconsin 529 program and its plans. Introduced by State of Wisconsin Representatives Binsfeld and Joers on December 8, 2023, AB793 and SB752 propose to increase tax-deductible amounts on contributions to a Wisconsin 529 plan by Wisconsin taxpayers to \$5,000 (single filers and married filing jointly) and \$2,500 (married filing separate and certain divorced parents), annually adjusted for inflation, and incentivize employer contributions to a Wisconsin 529 plan by increasing and streamlining the maximum credit an employer may receive per employee to 50% of the amount the employer contributes to the 529 account, not to exceed a maximum credit of \$800. Wetzel shared that the bill has not been scheduled for public hearing. Board member Susie Bauer asked if the current carry-forward provision is maintained. Wetzel confirmed that it is.

5. Program Manager Comments (Voya Investment)

a. Third Quarter 2023 Tomorrow’s Scholar Plan Highlights

Paula Smith reviewed the Tomorrow’s Scholar program for the 3rd Quarter. She began by noting that Q3 was a strong quarter, with contributions since July 2023 outpacing 2022 by 17%. Sales of \$140M through October 2023 are in line with the same period in 2022, but current trends show strong momentum heading into the coming year. Year-to-date, new accounts have grown by more than 2,800 year-over-year (YOY) with a concentration among younger beneficiaries. The average account size for Wisconsin account owners is \$12,400 while the average account size nationwide is \$30,500. Smith also provided the following administrative and operations updates: the Tomorrow’s Scholar gifting portal has seen nearly 1,500 gifts since inception, totaling \$1.5M in contributions. To boost gifting further, Voya has instituted a customized beneficiary birthday reminder to existing participants. Additionally, Voya is working with BNY Mellon on an Active Investor mobile app that will allow investors to access their accounts from a mobile device where they can issue payments, invite gifting, manage automatic investments and withdrawals, and enroll for e-delivery of statements and tax forms. Smith also mentioned that additional functionality was added to their Advisor Portal in June 2023. Lastly, Smith shared that Voya is on track to implement their omnibus relationship with Baird in early 2024.

Third Quarter 2023 Marketing & Outreach Report

Smith 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 College Savings Month campaign is currently in progress, and they will implement a year-end gifting campaign in early November, focusing on engaging with advisors in Wisconsin and their focus states via email, social media, and through educational webinars, to promote contributing to a 529 plan as a lasting gift.

In closing, Smith addressed the Tomorrow's Scholar 2023 plan rating from Morningstar, noting that they are disappointed and will be speaking with analysts soon to gain more clarity around the rating and better understand how to potentially make improvements.

6. Program Manager Comments (TIAA)

a. Third Quarter 2023 Edvest Plan Highlights

Regina Carmon began by stating that TIAA is thrilled that Edvest has maintained its Silver rating from Morningstar, and commended Board members and DFI for their efforts in the RFI and interview process. Carmon went on to provide an update on the Edvest 3rd Quarter plan activity, beginning by sharing that during Q3 each year, the 529 plan industry sees a high number of redemptions occur due to Fall tuition payments. This annual trend impacts AUM and net flows. According to data from ISS Market Intelligence, across all 529 plans, assets decreased by 4.3% QoQ, and estimated net outflows increased for both direct- and advisor-sold programs during Q3. Specific to the Edvest plan, Carmon stated that at the end of Q3, AUM of \$4.557B was up 13% YOY, and average account size increased by 9% YOY to \$20,392. Q3 contributions of \$88.2 million were up 14% YOY. During the quarter, 3,826 new accounts were opened, bringing total accounts in the plan to 223,507, up 3% YOY. Carmon shared qualified distributions from the plan comprised 95.6% of all distributions. Of the total qualified distributions, 2.8% were taken to pay for K-12 tuition, 1.3% were taken to issue student loan repayments, and 0.04% to pay for costs associated with apprenticeship programs.

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 1,237 new accounts (an increase of 12% YOY) and \$28.5 million in contributions (an increase of 8% YOY). James also announced that the new Edvest website was named a 2023 MARCOM Platinum Winner. The award recognized that the redesigned website offers an intuitive, user-friendly structure and ensures all web-based assets meet the latest ADA standards. Since the website redesign, visits are up 18% year-over-year and secure website traffic (where accounts are opened) is up 6%, indicating that the redesign significantly improves the user experience. James finished her marketing update by previewing Q4 efforts, sharing that the plan will focus on two bonus offer campaigns, in October and November/December, and promoting Edvest's Silver rating from Morningstar.

James moved on to provide highlights from the Edvest 2023 Brand Study. Highlights included that current account owners reported that they are highly likely to recommend Edvest over other 529 plans, and that regardless of account ownership status, consumers believe that Edvest is best for Wisconsin families, best for 'people like me', and is trustworthy. Additionally, James shared that the most important reasons families choose to save with Edvest is tax-free growth/distributions and the Wisconsin state income tax deduction.

b. Proposed Edvest Investment & Asset Allocation Adjustments for 2024

Jordan Jones 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. Based on this review, Jones stated that TFI recommends two changes to the Edvest asset allocation strategy. The first recommendation is to eliminate

REITs in later stages (2026/2027, 2024/2025, In School Portfolio) of glide path and rotate into Core Bonds. The second recommendation is to eliminate Short-Term Inflation-Linked Bond in earlier seven stages of the glide path (2028/2029, 2030/2031, 2032/2033, 2034/2035, 2036/2037, 2038/2039, 2040/2041) and rotate into Core Bond and High-Yield Bond.

Jordan stated that these changes are being recommended in response to significant structural shifts seen in the market over a short period, including: Bonds are providing materially higher yields compared to the previous market environment; Long-Term Capital Market Assumptions for Core Bonds and High Yield Bonds doubled from 2023 to 2024; Expected volatility for Core Bonds declined by 20% over 12 months. Board members asked how fees will be impacted by these changes. Jones indicated that plan fees will be immaterially impacted.

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. Eric Fulcomer seconded the motion. A rollcall vote was taken and passed unanimously. The motion carried. The Board entered closed session at 9:58am.

The Board returned to full session at 10:53am.

**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. TIAA Proposed 2024 Investment & Allocation Adjustments - VOTE

- a. Board Chair, Bill Oemichen, welcomed a motion to accept TIAA's 2024 asset allocation recommendations for the Edvest plan. Sean Nelson motioned to accept the recommended asset allocation recommendations. Susie Bauer seconded the motion. The motion carried.

9. Old Business

- a. None

10. New Business

a. College Savings Plans' Maximum Account Contribution Annual Increase

Board Chair, Bill Oemichen, and Jessica Wetzel reviewed a proposal to adjust the maximum Wisconsin 529 plan account contribution limit (as the sum of all Wisconsin plan accounts for the same beneficiary) from \$545,500 to \$567,500, effective January 1, 2024, 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 \$567,500. Eric Fulcomer seconded the motion. The motion carried.

b. Potential Technical Updates to Administrative Rules

DFI Chief Legal Counsel, Matt Lynch, discussed the College Savings Program's current administrative rules and shared that every few years legal counsel reviews existing administrative rules to identify language that is out of date or obsolete. Lynch noted that in reviewing the College Savings Program administrative rules, his team felt that there are a few technical components that are worth updating to align more closely language used in section 529 of the IRS tax code. He noted that as the rules stand, there is no issue with program administration. The

potential changes are non-substantive, and this can be considered a technical update. Lynch went on to explain that it is up to the College Savings Program Board to choose to update the program's administrative rules, as such, DFI would need board approval to complete this project. Should the board approve of DFI moving forward with technical updates the College Savings Program's administrative rules, the next step would be for the board to approve the scope statement put together by DFI, and ultimately, the updated rules text at future board meetings. Board member, Sean Nelson, asked why we are making these changes now. Lynch responded that the program has made updates to administrative rules before, but in its recent review, felt that there were opportunities to streamline and clarify to avoid any potential issues in the future. Board member, Jim Zylstra, asked what DFI believes the timeline on the project will be. Lynch responded that the timeframe on non-substantive changes is likely about 18 months.

Board Chair, Bill Oemichen, welcomed a motion for DFI to proceed with making non-substantive technical updates to the College Savings Program's administrative rules. Jim Zylstra moved to approve. Susie Bauer 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 Thursday, March 21, 2024 at 9:00 a.m. CT.
- b. 2024 Board Meeting Schedule
 - Thursday, March 21 (9am-12pm, virtual)
 - Tuesday, June 18 (9am-12pm, in-person)
 - Wednesday, September 18 (9am-12pm, virtual)
 - Thursday, December 5 (9am-12pm, virtual)

12. Adjournment

Bill Oemichen welcomed a motion to adjourn the meeting at 11:14am. Susie Bauer motioned to adjourn the meeting. Jim Zylstra seconded the motion. The motion carried.