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## **Minutes of the Ohio Tuition Trust Authority Investment Board Regular Meeting**

OTTA Investment Board Meeting – Thursday, May 13, 2021  
Virtual Meeting via Webex due to COVID-19 pandemic teleworking policy

**CALL TO ORDER:** 10:00 a.m.

Mr. James Benson brought the meeting to order. Mr. Benson welcomed Representative Young as a newly appointed board member.

Ms. Nancy Braun conducted a roll call and announced a quorum was present.

### **BOARD MEMBERS PRESENT:**

**Executive Investment Board Members:** James Benson, Michelle Chavanne (Chancellor Designee), David Kosanovic, Ann Womer Benjamin, Bill Elliott, Matt Kirby

**Legislative Investment Board Members:** Representative Catherine Ingram, Representative Tom Young, Senator Jerry Cirino, Senator Sandra Williams

**Ohio Tuition Trust Authority (OTTA) Staff:** Tim Gorrell, Executive Director; Trisha Good, CFO/CIO; Dave Kemp, Director of Customer Service and Operations; Shreekanth Chutkay, Director of Information Technology; Ben Gibbons, Director of Marketing; Nancy Braun, Executive Administrative Assistant; Elizabeth Yassenoff, In-House Legal Counsel

**Others present:** Jeff Fogel, Staff Attorney, Ohio Department of Higher Education; Todd Marti, Legal Counsel, Office of the Ohio Attorney General; Stephen DiGirolamo, Wilshire

This meeting was properly noticed in accordance with the provisions of Ohio Administrative Code §3334-1-02, adopted in accordance with Section 111.1.15 of the Ohio Revised Code.

### **APPROVAL OF MINUTES**

Chairperson James Benson asked for any questions or comments on the OTTA Investment Board minutes of the February 18, 2021, meeting. There were none. Mr. Benson called for a vote to approve the minutes. David Kosanovic made a motion to approve. The motion was seconded by Ann Womer Benjamin. A unanimous voice vote was taken. The motion was approved.

## **GUARANTEED SAVINGS PLAN ACTUARIAL ASSUMPTIONS**

Ms. Good presented the Guaranteed Savings Plan (GSP) investment return assumptions. OTTA engages Milliman, our actuarial consultant, to provide an annual actuarial valuation of the financial position of the Guaranteed Savings Plan. This report will be prepared as of our fiscal year end, June 30, 2021, and presented to the Board for consideration and approval at our August Board Meeting. In order to provide Milliman the tuition inflation and investment return assumptions to be used in their assessment, OTTA seeks guidance and approval from the OTTA Board. OTTA recommends lowering the tuition inflation assumption from 4.25% to 4.00%. The tuition inflation assumption conservatively takes into consideration the long-term historical tuition inflation, the declining number of beneficiaries in the GSP and the uncertain future from the COVID19 fallout and how tuition inflation will rise in future years. Instead of asking the Board to approve a specific investment return assumption at this time, OTTA recommends continuing the process the Board adopted in May 2020 for determining the investment return assumption. The process would involve using the yield to maturity of the Loomis custom treasury portfolio and NEPC's forward looking expected returns for equities and cash to calculate the Plan's expected return as of June 30, 2021. Discussion ensued. Mr. Benson called for a vote on Resolution FY21-03 to approve the GSP Actuarial Assumptions. Matt Kirby made the motion to accept the current actuarial assumptions process. Representative Tom Young seconded the motion. A roll call vote was taken. The resolution passed unanimously.

## **REVENUE PROJECTION**

Ms. Good shared that in the OTTA/BlackRock contract signed March 1, 2021, OTTA agreed that as BlackRock approaches a breakpoint in assets under management triggering a reduction in their program management fee, OTTA would review and consider with the Board simultaneously waiving a portion of OTTA's administrative fee. In November 2020, BlackRock's AUM reached the triggered breakpoint under the new contract. This required the program management fee (taken by BlackRock) to be lowered. As a result of the new contract language we asked Wilshire to revisit the revenue projections that we developed a few years ago to determine if OTTA could consider a fee waiver at this time.

Steve DiGirolamo, Wilshire Associates, presented the revenue projections that were developed to consider a fee waiver.

Ms. Good stated that in August 2018 the Board passed a Cash Reserve Policy to keep OTTA's cash balances at an appropriate amount which was defined to equal approximately two-years of annual total expenses in the Variable Savings Program. After reviewing and discussing the analysis provided by Wilshire and following the Cash Reserve Policy, OTTA is recommending waiving a ½ basis point in OTTA collected state fees, matching BlackRock's program management fee for the Advisor customer. OTTA and its staff desire to have the support of the OTTA Board in waiving ½ basis point of the fees OTTA charges to customers in the Advisor Plan as soon as practicable until action is taken to alter or rescind the waiver.

Discussion ensued. Mr. Benson asked Ms. Yassenoff to clarify the board oversight of fees. Ms. Yassenoff stated that the Ohio Revised Code and Ohio Administrative Code make clear that

OTTA as an agency (under Ohio Department of Higher Education oversight) sets fee for plans. However, as stated the resolution presented and as has been best practice, OTTA recognizes that fees impact investments, and so ask the Board for its support in the fee waiver via a concurrence vote. Mr. Benson called for a vote on Resolution FY-21-04 Advisor Fee Waiver Resolution. David Kosanovic made the motion to concur with the fee waiver. Ann Womer Benjamin seconded the motion. A roll vote was taken. The resolution passed unanimously.

### **DIRECT PLAN AGE-BASED PORTFOLIO CONTINUED DISCUSSION**

Ms. Good began the discussion by reviewing what is being considered regarding the Direct Plan Age-Based Portfolio, first introduced to the Board at the November 2020 meeting. Vanguard is offering all Direct 529 Plans that they work with an opportunity to change to a Target Enrollment Portfolio (TEP) from Age-Based Portfolios within the Age-Based offerings. This is an either/or option as it relates to the Vanguard Age-Based space and Vanguard is neutral regarding which path Direct 529 Plans choose to implement.

In February 2021, OTTA and Wilshire outlined the TEP opportunity and compared the pros and cons of five different age-based scenarios to the Board. Ms. Good shared that on April 21, 2021, OTTA began surveying Direct Plan customers with valid email addresses on file. The survey was closed May 6 and received 1,482 responses. Ms. Good shared the survey results with the Board. OTTA recommends retaining the Advantage Age-Based Portfolio developed and managed by Wilshire and converting the current three Vanguard Age-Based Portfolios to the new Vanguard TEP. Discussion ensued. Mr. Benson asked if the Board was comfortable moving forward with a vote on the recommendation. The Board was in agreement to move forward. Mr. Benson called for a vote on FY-21-05 Direct Plan Age-Based Options. David Kosanovic made the motion to accept the resolution. Bill Elliott seconded the motion. A roll call vote was taken. The resolution passed unanimously.

### **VARIABLE SAVINGS PLAN INVESTMENT UPDATE (Wilshire)**

Mr. DiGirolamo began his presentation reviewing with the Board what he announced at the November 2020 meeting. Wilshire's founder, Dennis Tito, stepped down from his role as Chief Executive Officer and Chairman, and John Hindman, stepped down from his role as President of Wilshire in conjunction with the acquisition of Wilshire on January 8, 2020 by CC Capital and Motive partners. Jason Schwarz now oversees Wilshire's investment and portfolio analytics activities as President and Chief Operating Officer along with CEO, Mark Makepeace, CIO, Andy Stewart, CTO, Jody Kochansky, and CFO, Nick Teunon. . Mr. DiGirolamo stated the transition has been seamless with business as usual, sharing that OTTA's current Wilshire team remains in place and will continue to provide the same high level of support as in the past. The combination of existing and additional expertise supports Wilshire's efforts to prioritize a collaborative approach to client relationships that results in best-in-class investment solutions

Mr. DiGirolamo directed the board to Wilshire's Executive Summary. He shared that the performance of each asset class is listed showing a mostly positive performance for most asset classes in the first quarter of 2021. He stated the biggest factor going forward will be inflation expecting a lot of volatility in markets for the remainder of 2021. Mr. DiGirolamo asked for questions. There were no questions.

### **Direct Plan Performance**

Mr. DiGirolamo provided an update on the Direct Plan performance. Mr. DiGirolamo walked the investment board through the investment performance charts for the enrollment-date funds, age-based funds, risk-based funds, and individual funds. All funds performed as expected this quarter.

### **BlackRock Advisor Plan**

Mr. DiGirolamo next discussed the BlackRock Advisor Plan performance with the investment board. He stated all funds are progressing well and he is comfortable with all investments across both plans and that both plans (Direct and Advisor Sold) are positioned well for the expected volatility as markets get a handle on inflation. He asked for questions from the board. Mr. Benson asked if there were any funds on any watch lists. Mr. DiGirolamo replied that a combination of qualitative and quantitative data is compiled and used during the vetting process on all funds and based on market conditions all are in line and strong in both checkpoints.

### **EXECUTIVE DIRECTOR UPDATE**

OTTA Executive Director Tim Gorrell started his report with the announcement that as of March 31, 2021, Ohio is the nation's seventh largest sponsor of 529 plans with total Assets Under Management (AUM) at \$15.3 billion. Mr. Gorrell stated this shows our plans are attracting investors, investors are contributing more, and our funds are performing as expected. He referenced OTTA's marketing team's efforts as aggressive and mindful of growth and contributions goals. In addition, the month of May will highlight our graduation campaign and 529 day, both of which will be promoted through radio and TV announcements and appearances.

Mr. Gorrell noted that in addition to the changes at Wilshire, Ascensus, our record keeping agency, was acquired by Stonepoint Capital. There are no anticipated changes to the current business model.

Mr. Gorrell stated that while our survey was motivated by TEP, it was also a good indicator of account owner behavior. In addition, upgrades (Web Evolution 1) have been done to the agency's webpage to make it more user friendly and more changes will be coming.

The next Board meeting is August 12, 2021. Current COVID guidance now extends to July 1, 2021, for virtual meetings. Unless it changes we will be moving to in-person meetings. Details are in the works, but Mr. Gorrell asked the Board to take note that the meeting will include presentations/vote on Actuarial Valuation and Guaranteed Plan in preparation for the audit.

There were no relevant legislative updates on the State level. Elizabeth Yassenoff provided an update on Federal legislative discussions around employer match incentives. She shared that College Savings Plan Network (an industry organization of which OTTA is a member) is advocating that 529s be incorporated into the Retirement Parity for Student Loans Act currently pending before Congress.

Ms. Yassenoff provided an overview of the Board By-Laws. She explained that most aspects of Investment Board governance are dictated by Ohio Revised Code and Ohio Administrative Code and that the By-Laws provide further clarification regarding Investment Board operations and procedures. She suggested a few language clean-ups and requested the board review the by-laws, send any comments or questions directly to her and she will capture those to present at the August meeting for board review.

Mr. Gorrell referred board members to the upcoming meeting schedule in the Executive Director's memo. He stated he will keep the board updated regarding the status of virtual vs. in-person meeting requirements.

There were no questions regarding the Executive Director's report.

**NEW BUSINESS**

Mr. Benson asked if there was any new business to discuss.

Representative Tom Young suggested after the transition to TEP, to go back out with a survey to customers for feedback on the transition. He then asked how SOFR (Secured Overnight Financing Rate) will impact our portfolios. He requested an overview of what is happening and how that transition will be taking place. Mr. Benson asked Steve DiGirolamo to reach out to Wilshire and Blackrock portfolio managers for their ideas on SOFR impacts and share with the board at the August meeting.

**PUBLIC PARTICIPATION**

There was no public participation.

**ADJOURN**

Representative Tom Young made a motion to adjourn the meeting and the meeting was adjourned without objection at 11:58 a.m.

Signed by: 

Print name: JERRY C. CIRINO

Date: 8-12-21