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

OTTA Investment Board Meeting – Thursday, May 19, 2022  
Room 1960, 77 South High St, Columbus, OH 43215

At 10:00 AM a quorum of the Investment Board was not present, so the group proceeded with an informational update on the BlackRock CollegeAdvantage Target Date Glidepath from Mr. Steve DiGirolamo.

### **CALL TO ORDER:** 10:03 AM

Chairman Jim Benson brought the meeting to order.

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

### **BOARD MEMBERS PRESENT:**

**Executive Investment Board Members:** Jim Benson, Charles See, Bill Elliott, Ann Womer-Benjamin (attended virtually).

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

**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; Elizabeth Yassenoff, In-House Counsel; Nancy Braun, Executive Administrative Assistant; Mark Smith, OH-TECH

**Others present:** 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**

Mr. Benson asked for any questions or comments on the OTTA Investment Board minutes of the February 17<sup>th</sup>, 2022, meeting. There were none. Mr. Benson called for a vote to approve the minutes. Mr. Elliott made a motion to approve. The motion was seconded by Representative Young. A voice vote was taken. The motion was unanimously approved.

## **GUARANTEED SAVINGS PLAN ACTUARIAL ASSUMPTIONS and FY 22-06**

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, 2022, 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.

After discussion with ODHE we are estimating WAT growth of 3.9% for fall 2022. OTTA recommends leaving the tuition inflation assumption at 4.00% which matches the assumption used last summer in the actuarial valuation. Inflation throughout the overall economy has accelerated to a decades-high level. CPI inflation accelerated to 7.0% by the end of 2021 and the CPI year/year increase in April 2022 came in at 8.3% after hitting 8.5% in March 2022. Due to the uncertainty in the economy and any changes that may be implemented by the Ohio legislature as it relates to the cost of attendance at the 13 four-year public colleges, we are recommending remaining conservative with our tuition inflation assumption. The tuition inflation assumption takes into consideration the long-term historical tuition inflation, the declining number of beneficiaries in the GSP as well as the uncertain future from the COVID19 fallout and how tuition inflation will rise in future years.

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<sup>th</sup>, 2022. Based upon these inputs, the expected return of the Plan would be calculated and then used in the annual valuation. Discussion ensued. Mr. Benson called for a vote on Resolution FY22-06 to approve the GSP Actuarial Assumptions. Ms. Womer-Benjamin made the motion to accept the actuarial assumptions as recommended. Mr. Elliott seconded the motion. A roll call vote was taken. The resolution passed unanimously.

Rep Young asked about the life of the Guaranteed Savings Plan. Mr. Gorrell stated it is in the Ohio Administrative Code that participants are forced to take a withdrawal or roll their funds into another 529 Plan when the beneficiary reaches age 28 and older. There are a few exceptions that participants can choose to remain in the GSP. In addition, the last actuarial valuation projected the last payout distribution would occur in 2050. Discussion ensued. Rep. Young offered to set up a meeting with OTTA staff to discuss options

## **BlackRock CollegeAdvantage Target Date Glidepath Update**

Mr. DiGirolamo continued with his informational update on the BlackRock CollegeAdvantage Target Date glidepath. He shared BlackRock believes that a goals-based college savings strategy should seek to provide individuals a portfolio that appropriately balances three

objectives: wealth accumulation, minimizing volatility of the funding status and accounting for tail-risk. The summary of the research conclusions show that within our updated asset-liability framework, the optimal starting and ending equity points are 90%, and 10% respectively. The optimal glidepath suggests taking additional risk in the accumulation stage while taking less risk approaching enrollment, compared to Ohio's current glidepath.

Mr. DiGirolamo stated the methodology is changing regarding glidepaths and favors more equity risk at the beginning and less at the end. He continued to summarize the differences in asset-only vs asset-liability comparison and shared the updated framework was mainly focused on two areas, targeting appropriate levels of risk and assessing different outcomes by dynamically changing the liability importance through time. Mr. DiGirolamo stated BlackRock will go through the methodology in detail at the August board meeting.

## **VARIABLE SAVINGS PLAN INVESTMENT**

### **Direct and Advisor Plan Performance**

Mr. DiGirolamo, Wilshire, provided an overview of the quarterly performance of the Direct and Advisor Plans. He began with an overview of the current market and the issues that are driving its volatility. Representative Young stated with the market outlook we may need to discuss reallocations within the plans. Mr. Benson stated the glidepath helps with this. Mr. DiGirolamo stated all assets have been moved to the new glidepath in the Direct Plan's Target Enrollment Fund. Mr. Benson asked if the change went smoothly. Ms. Good responded that it went very smoothly. Mr. Benson shared his appreciation for the help with the transition.

Mr. DiGirolamo shared the quarterly update investment options vs peer universes for the Direct and Advisor Sold Plans. The Direct Sold plans showed 64% enrollment date options ranked in the top half of their respective peer universes, 67% age based options ranked in the top half of their respective peer universe, and 66% of the total funds ranked in the top half of their respective peer universes. The Advisor Sold Plans investment options vs peer universes saw 43% enrollment-date options ranked in the top half of their respective peer universes, 40% risk-based and individual fund options ranked in the top half of their respective peer universes and 41% of total funds ranked in the top half of their respective peer universes. Overall, we have seen a strong long term performance in funds.

Mr. Benson asked Mr. DiGirolamo to respond to the current Allianz situation. Mr. DiGirolamo explained the Allianz products included a hedge fund type of structure without risk controls in place to limit losses. He shared there are no hedge fund exposure in any of our funds. Representative Young stated that fiduciary responsibility shows in our funds.

Ms. Yassenoff announced as of 10:45 AM there was no longer a quorum present, so the remainder of the meeting continued as an informational session.

## **EXECUTIVE DIRECTOR UPDATE**

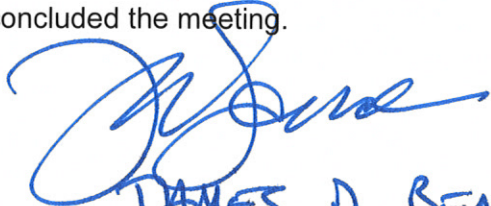
Mr. Gorrell shared the month of May is 529 month and there are numerous opportunities that will provide an audience to share Ohio's 529 College Advantage Plan to the public. Marketing efforts have provided several radio and television appearances as well as sporting events in which we can participate.

Mr. Gorrell proposed a change to future Investment Board meeting dates. Due to the inability for legislators to meet on the proposed dates, the meetings will continue to be held as scheduled.

Ms. Yassenoff gave a legislative update.

Mr. Benson concluded the meeting.

Signed by:



Print name:

JAMES D. BENSON

Date:

8/18/22