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

OTTA Investment Board Meeting – Thursday, November 14, 2019  
77 S. High Street, 19th Floor, Room 1948, Columbus, Ohio 43215

**CALL TO ORDER:** 10:05 a.m.

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's Designee); Bill Elliot, Matthew Kirby, David Kosanovic, Ann Womer Benjamin

**Legislative Investment Board Members:** Representative John Rogers, Senator Steve Wilson, and 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; Judy Cunningham, Community Outreach and Public Relations Manager; Kimberly Fisher, Human Resources Specialist; Nancy Braun, Executive Administrative Assistant; Amy Lyle, Communications Coordinator; and Mark Smith, OH-Tech.

**Others present:** Jeff Fogel, Ohio Department of Higher Education Staff Attorney; Stephen DiGirolamo, Wilshire; Lisa Critser, Legal Counsel, Office of the Ohio Attorney General; Jessica Voltolini, Ice Miller; Tarun Garg and John Park, BlackRock.

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 August 15, 2019, meeting. There were none. Mr. Benson called for a vote to approve the minutes. Senator Steve Wilson made a motion to approve. The motion was seconded by David Kosanovic. A voice vote was taken. The motion was approved.

## **EXECUTIVE DIRECTOR UPDATE**

Executive Director Tim Gorrell started his report with the announcement that as of September 30, 2019, Ohio's 529 Plan had \$12.1 billion in Assets Under Management (AUM). He then stated that Ohio's Direct 529 Plan remains ranked sixth nationally and the Advisor Plan moved from fourth to fifth nationally for AUM. Savingforcollege.com, an independent industry-trusted informational website, continues to rank Ohio's Direct 529 Plan as first in the nation for one-, five- and 10-year investment performance and fifth in the nation for three-year investment performance.

**Legislative:** Mr. Gorrell shared legislative updates regarding Ohio House Bill 193 and companion Ohio Senate Bill 125 to "Expand tax deduction for 529 educational savings plan," commonly referred to as tax parity. Both bills have been introduced in Ways and Means Committees for both the House and the Senate. Mr. Gorrell stated OTTA is following the bills closely and will continue to keep the board apprised of new developments.

On the federal level, Mr. Gorrell said it appears that the Setting Every Community Up For Retirement Enhancement (SECURE) Act of 2019 will not be passed in Congress. The act included provisions for 529 plans being used for homeschooling, apprenticeships, and student loan debt.

**Morningstar:** Mr. Gorrell and Ms. Trisha Good represented OTTA on September 4, 2019, at the Morningstar meeting in Chicago. Mr. David Lindberg and Mr. Steve DiGirolamo with Wilshire, the program's investment consulting firm, accompanied them. As OTTA offers both a Direct 529 Plan and an Advisor 529 Plan, BlackRock also attended the meeting to supply details on advisor side of the savings program as well as to show that Ohio's 529 Plan is a united program with two components. Mr. Gorrell stated Morningstar rates plans across five key pillars: Process, People, Parent, Price, and Performance. In October 2019, Morningstar assigned analyst ratings to 62 plans, which represent more than 97% of assets invested in 529 plans. Mr. Gorrell shared CollegeAdvantage's Direct Plan retained a Silver rating while the Advisor Plan retained Bronze. Discussion ensued regarding the Morningstar report. Ms. Good emphasized that while ratings are important, Ohio's 529 Plans are designed to best meet the needs of the clients and that Ohio's plans have always been well-respected. Ms. Good shared that Savingforcollege.com evaluates over 100 plans and the Ohio Direct Plan continues to receive a 5-Cap rating for both residents and non-residents, making Ohio one of three plans nationally to achieve this rating.

**529 Conference:** Mr. Gorrell shared the 529 Conference is typically held in September and board members are welcome to attend. Senator Sandra Williams attended this year. She shared with the board the value of learning the history of 529 plans, state involvement, fiduciary duties of board members, and the common theme of Ohio's plan being well-respected in the industry as evidenced by OTTA staff presentations at the conference. Mr. Benson asked for a summary of the common theme of the conference. OTTA staff shared the conference always includes fee updates, marketing ideas, and technology examples and ideas. Mr. Gorrell stated Sen. Williams had approached OTTA staff regarding training in board governance. Mr. Benson agreed and mentioned it may be more cost effective to bring in relevant speakers.

**Direct and Advisor Plan Contracts:** At the May 2019 meeting, the Investment Board approved OTTA's recommendation of moving forward with contract negotiations with Ascensus to continue as the Ohio's Direct 529 recordkeeping partner, and Vanguard to continue as an investment partner. Mr. Gorrell informed the investment board that contract work is moving forward and disbursement aggregation should be in the contracts. He also stated that Ascensus will be proposing a way to keep this recordkeeping requirement within Ascensus. Mr. Gorrell is cautiously optimistic this will solve ongoing issues allowing OTTA to present the Ascensus and Vanguard contracts for approval at the February 13, 2020, Investment Board meeting. Mr. Benson clarified Ascensus does disbursement aggregation for the Direct Plan and that Blackrock does disbursement aggregation for the Advisor Plan. Mr. Dave Kemp stated aggregation within the Advisor Plan must be done for all Account Owner/Beneficiary matches across the various record keepers (BNY & All OMNI partners).

### **BLACKROCK ANNUAL PRESENTATION**

Mr. Tarun Garg and Mr. John Park from Blackrock provided their annual update to the board. Mr. Garg reviewed the purpose of Blackrock 529 is to "help more families save for an education they deserve," and highlighted the BlackRock 529 to reaches over 40,000 advisors. Mr. Park shared investment management is competitive and Blackrock was one of four out of 31 advisor sold plans that received a medal rating from Morningstar. Mr. Park stated the sales and marketing outreach activity continues to be proactive with 5,000 high-quality touchpoints with advisors (phone + meeting). Mr. Benson asked if there was a noticeable change with legislative ruling including K-12 tuition. Mr. Park stated yes; however, any change is a triggering event but there was not a significant change with this. Mr. Garg then gave an update on Omnibus status and stated they were making progress in discussions with Fidelity and Raymond James. Mr. Garg then shared total expenses paid by plan participants continues to decline showing a 30% reduction over the year. Discussion then moved to the launch of Class I and the expense ratio breakdown. Mr. Gorrell stated there would be an opportunity for Blackrock to introduce and further discuss these options at future meetings.

### **INVESTMENT CONSULTANT REPORTS**

**Guaranteed Savings Plan:** Craig Svendsen of NEPC, OTTA's management and investment consultant firm, provided a brief overview (via conference call) of the Q3 2019 Investment Performance Analysis of the Guaranteed Savings Plan (GSP). As far as performance, the plan returned 0.9% during the third quarter and for the year ending September 30, 2019, the plan returned 4.6%. Performance of Loomis' custom treasury strategy, where the majority of assets are invested, has been in line with expectations. Mr. Svendsen stated the total fund asset is close to target allocations and the fund remains in good standing in spite of the current volatile economic environment.



## **Variable Savings Plan Investment Update:**

### **Direct Plan Performance**

Mr. Gorrel shared with the investment board that Steve DiGirolomo will now be the lead consultant replacing David Lindberg (who has been promoted) as the face and voice of Wilshire for the Investment Board. Mr. DiGirolomo provided an update on the Direct Plan performance. He started by saying the diversification within the investment options is paying off during the current stock market volatility.

Mr. DiGirolomo walked the Investment Board through the investment performance charts for the enrollment-date funds, age-based funds, risk-based funds, and individual funds. For the enrollment-date funds, the quarterly returns were positive, with 8 out of 11 outperforming their peers. The Vanguard age-based funds' performance was positive as well with 21 of 27 outperforming their peers.

### **Fifth Third Rates**

Mr. DiGirolomo shared a banking products comparison against average savings and CD rates offered through Ohio financial institutions. This demonstrated that Fifth Third continues to offer CollegeAdvantage account owners a competitive interest rate that provides a premium over similar financial institutions in Ohio. There were no concerns as returns are justifiable based on the current market.

### **BlackRock Advisor Plan**

Mr. DiGirolomo next discussed BlackRock Advisor Plan performance with the investment board. The enrollment-date funds all had positive returns, with a strong absolute performance against 529 peers.

Mr. Benson asked if there were questions. Discussion ensued.

## **MARKETING UPDATE**

Mr. Gibbons began by restating the current OTTA marketing department goals are (1) increase new plan enrollments by 10 percent annually, and (2) increase plan contributions by 10 percent annually. For FY19, new enrollments were up 4.7 percent and contributions were up 13.9 percent.

The recent advertising campaigns have focused on that 529 plans can be used for whatever comes after high school, whether a traditional four-year program, two-year community college, trade or vocational school, or certificate program.

Mr. Gibbons informed the board that Falgren Mortine SBC, was retained as OTTA's advertising agency for the next two years.

Mr. Gibbons then shared marketing is on track for the fiscal year, seeing a 10.07 percent growth rate in Direct Plan new enrollments and a 12 percent increase in Direct Plan contributions. Email marketing statistics are growing and the Ohio's 529 Plan has the third largest Facebook following in the United States for 529 plans.

Mr. Benson asked if there were any comments or questions. There were none. Mr. Benson then thanked Mr. Gibbons for all the hard work.

**NEW BUSINESS**

Mr. Benson asked if there was any new business to discuss. Mr. Benson asked Mr. Gorrell if the Vanguard and Ascensus contracts would be finished by the February 2020 meeting. Mr. Gorrell responded that Vanguard and Ascensus should be ready; however, BlackRock will not be ready until the May 2020 meeting.

**PUBLIC PARTICIPATION**

Mr. Benson asked if there was any public participation. There was none.

**ADJOURN**

Mr. Benson called for a vote to adjourn the meeting. Mr. Kosanovic made a motion to adjourn. The motion was seconded by Rep. Rogers. A unanimous voice vote was taken. The meeting was adjourned at 12:28 p.m.

Signed by:

Print name: \_\_\_\_\_



Date: \_\_\_\_\_

FEBRUARY 12, 2020