



Minutes of the Ohio Tuition Trust Authority Investment Board Regular Meeting

OTTA Investment Board Meeting – Thursday, February 18th, 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 Ingram and Senator Cirino as two newly appointed board members.

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

BOARD MEMBERS PRESENT:

Executive Investment Board Members: James Benson, Charles See, Jack Green, David Kosanovic, Ann Womer Benjamin, Bill Elliott

Legislative Investment Board Members: Representative Catherine Ingram (joined the meeting at approximately 11:40am), 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; Julia Ward, Vanguard; 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 November 12th, 2020, meeting. There were none. Mr. Benson called for a vote to approve the minutes. Ann Womer Benjamin made a motion to approve. The motion was seconded by David Kosanovic. A roll call vote was taken. The motion was approved.

BLACKROCK CONTRACT RENEWAL RESOLUTION FY 21-02

Ms. Yassenoff summarized changes to the BlackRock Contract and Investment Policy. The agreement preserves the existing agreement between BlackRock and the Ohio Tuition Trust Authority (OTTA) while updating certain provisions to reflect changes in law, regulation and terminology. Additionally, in the agreement, BlackRock agrees to provisions that will benefit OTTA's Advisor Plan account holders. These provisions include marketing and promotion reviews as well as seamless data sharing. The term of the agreement will be seven (7) years with an optional renewal term of five (5) years, allowing greater continuity and expanded distribution opportunities. Discussion ensued. Mr. Benson called for a vote on resolution FY21-02. Charles See made the motion to accept the resolution. Ann Womer Benjamin seconded the motion. A roll call vote was taken. The resolution passed unanimously (Representative Ingram was not present for the vote).

529 LANDSCAPE REVIEW

Steve DiGirolamo, Wilshire Associates, presented a review of the current 529 landscape. Ohio's direct and advisor plans were compared to the entire universe of 529 plans (excluding pre-paid tuition and savings plans). The peer group universe includes 92 plans - 61 Direct Sold and 31 Advisor Sold. Overall, Ohio offers more than the average number of Age-Based / Enrollment Date options, Risk-Based / Static options, and Individual options with lower than average expense ratios. Mr. DiGirolamo explained that within the peer universe glide paths, Ohio is more conservative but well diversified in the offerings within our plans. He stated everything is in line with expectations and asked for questions. Mr. Benson thanked him for the update and analysis. Mr. Benson asked if we have looked at how we compare with peers at our current Morningstar rating levels. Mr. DiGirolamo stated Wilshire has looked at the Morningstar rankings and noticed there is not much change. Mr. Benson asked about expense ratio comparisons and how that is reconciled in the BlackRock contract. Mr. DiGirolamo responded Wilshire can control this when finding funds that are lower in expenses and looking at different fee structures as plans grow. Ms. Good stated she believes BlackRock is where we need to be in their fee structure.

DIRECT PLAN AGE-BASED PORTFOLIO DISCUSSION

Mr. DiGirolamo directed Ms. Good to begin the presentation and discussion by providing a summary of what is being considered regarding the Direct Plan Age-Based Portfolio. She explained 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.

Ms. Good reviewed the timeline of events leading to this discussion and provided options for consideration. Mr. DiGirolamo outlined the pros and cons of each option for the board to consider going forward. Ms. Good reviewed the next steps and explained the objective was to provide this information to the board and have discussion during this meeting so recommended changes can be made. She then asked Mr. Gorrell to provide follow up explanation. Mr. Gorrell added Vanguard is equally committed to both options they are offering and we will be asking for board recommendations at the May meeting. Mr. Gorrell opened up the discussion for

questions. The board presented no questions. Mr. Benson thanked Ms. Good and Mr. Gorrell for the thorough and informative presentation and shared appreciation for the work that went into the process.

VANGUARD ANNUAL UPDATE

Julia Ward, Vanguard, began Vanguard's annual update by stating they have not missed a beat in the current virtual world as they have always been active virtually with clients. She then explained that the Education Savings department within Vanguard is supported by a diverse and talented team of internal investment business experts, similar to other all-in-one fund products such as Target Retirement Funds. Vanguard's Education Savings Service Models provide tiered offerings to suit the needs of plan sponsors. Ms. Ward shared as of December 31, 2020, these offerings totaled \$136B Assets Under Management (AUM) and were available in 38 states comprising 41 college savings plans, six (6) prepaid tuition plans, and nine (9) ABLE plans. Industry trends show lower fees and progressive glide paths going forward. Ms. Ward reported there were no suggested changes to 529 age-based glide paths or portfolios in 2020 that Vanguard is constantly evaluating portfolios for balance, and therefore they believe 529 plans are still prudent for education savers. She stated the outlook for global recovery is based on health outcomes and even after early market volatility in 2020 portfolios have performed as expected. Ms. Ward asked for questions. Mr. Benson asked for her to share her thoughts on the recent short term stock exchanges. Ms. Ward replied that Vanguard always advises clients to look at long term investments and not day trading. Mr. Benson thanked Ms. Ward for her presentation.

VARIABLE SAVINGS PLAN INVESTMENT UPDATE (Wilshire)

Mr. DiGirolamo began his presentation by directing the board to Wilshire's Executive Summary. He shared that the performance of each asset class is listed showing a strong performance and dynamic recovery in the last nine (9) months of 2020 with a positive in absolute performance in every asset class.

Direct Plan Performance

Mr. DiGirolamo provided an update on the Direct Plan performance. He started by saying every fund showed positive returns with 36% of the funds outperforming their peer universe medians. 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 have shown a strong, positive performance and this quarter has shown overall good returns.

BlackRock Advisor Plan

Mr. DiGirolamo next discussed BlackRock Advisor Plan performance with the investment board. He stated all funds continue to outperform their peer universe median. Mr. DiGirolamo pointed out that the Blackrock Global Allocation fund has seen a nice turn-around with multiple asset classes in the fund in addition to strong asset allocation decisions also adding to the value. Mr. DiGirolamo stated he is comfortable with all investments across both plans and is looking for the same success in 2021. He asked for questions from the board. Mr. Benson asked him to discuss the type of policy is employed when vetting fund allocations. Mr. DiGirolamo replied that a combination of qualitative and quantitative data is compiled and used during the vetting process.

FIFTH THIRD CONTRACT UPDATE

Ms. Yassenoff updated the board on status of the contract with Fifth Third. She explained that it has been under yearly renewal since 2015 and requires a notice of non-renewal by March 1st of each calendar year. Alternatively if OTTA desires to pursue changes to the contract, that notice is due by June 1st of each calendar year. OTTA staff does not recommend taking action at this time but will annually bring it to board attention as the timeline requires. There were no questions presented.

EXECUTIVE DIRECTOR UPDATE

OTTA Executive Director Tim Gorrell started his report with the announcement that as of December 31st, 2020, Ohio is the nation's seventh largest sponsor of 529 plans with total Assets Under Management (AUM) at \$14.7 billion. Mr. Gorrell stated this shows our plans are attracting investors, investors are contributing more, and our funds are performing as expected; perhaps even better than expected noting the current environment.

Mr. Gorrell asked Ms. Good to share information regarding the FY20 audit. Ms. Good stated that the FY20 financial was completed and all audits were clean with not findings or exceptions noted. She explained that FY21 audits will be completed by the Auditor of State's Office due to the policy of only being able to keep an independent firm for 10 years.

He then shared that OTTA will remain in work from home status until May 28, 2021, therefore requiring our next board meeting to remain virtual.

There were no relevant legislative updates on either the state or federal level. Mr. Gorrell stated he will keep the board informed as updates occur.

Mr. Gorrell reminded the board that the report from Craig Svendsen, NEPC, is included in the board packet for their review.

Mr. Gorrell referred board members to the upcoming meeting schedule in the Executive Director's memo.

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

NEW BUSINESS

Mr. Benson asked if there was any new business to discuss. There was none.

PUBLIC PARTICIPATION

Ms. Womer Benjamin asked if the question brought to the board during the meeting from a member of the public would be addressed. Mr. Benson redirected to Ms. Yassenoff for rules on public participation. Ms. Yassenoff responded it is up to the chairman but the board's bylaws specify that public participation be limited to items on the agenda and discussion must be limited to a five (5) minute time frame. Mr. Benson brought to the attention of the board that during the meeting a member of the public asked a question regarding the investment options for Ohio's plan and asked Steve DiGirolamo from Wilshire to respond to that question. Mr. DiGirolamo explained the relevant information regarding investment options in Ohio's plan. The public

participant did not have any follow up questions or comments for discussion and there was no further public participation.

ADJOURN

David Kosanovic made a motion to adjourn the meeting. The motion was seconded by Ann Womer Benjamin. A unanimous voice vote was taken. The meeting was adjourned at 12:18p.m.

Signed by:

A handwritten signature in black ink, appearing to be 'JB', with a long horizontal stroke extending to the right.

Print name: James Benson

Date: May 28, 2021