



Minutes of the Ohio Tuition Trust Authority Investment Board Regular Meeting

OTTA Investment Board Meeting – Thursday, August 12th, 2021
Room 1960 Riffe Center, 77 South High St, Columbus, OH 43215

At 10:05 AM a quorum of the Investment Board was not present, so the group proceeded with an informational market update presentation from Steve DiGirolamo.

CALL TO ORDER: 10:11 AM

Co-Chairman Senator Jerry Cirino 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: Charles See, David Kosonovic (attended virtually and therefore ineligible to participate in conduct of business), Bill Elliott, Jack Green

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

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; Elizabeth Yassenoff, In-House Counsel; Jeff Fogel, Staff Attorney; Nancy Braun, Executive Administrative Assistant; Mark Smith, OH-TECH

Others present: Craig Svendsen, NEPC (virtual attendance); Alan Perry, Milliman(virtual attendance); Steven 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

Senator Cirino, asked for any questions or comments on the OTTA Investment Board minutes of the May 13th, 2021, meeting. There were none. Senator Cirino called for a vote to

approve the minutes. Bill Elliott made a motion to approve. The motion was seconded by Representative Tom Young. A voice vote was taken. The motion was unanimously approved.

GUARANTEED SAVINGS PLAN

Investment Update

Craig Svendsen of NEPC, OTTA's management and investment consultant firm, began the discussion of the Guaranteed Savings Plan (GSP) with the Q2 2021 Investment Performance Analysis.

For the fiscal year ending June 30, 2021, the plan assets stood at \$192.9M and the plan returned 3.6 percent for the year. There were no due diligence updates for the plan's managers during Q2. Staff, NEPC and Milliman have been discussing the actuarial return assumption for the GSP. To advance this discussion, NEPC has modeled the current asset allocation of the GSP using their June 30, 2021 capital market forecasts. The expected investment return for the GSP is 1.4%. The performance of the Loomis' custom treasury strategy, where the majority of GSP assets are invested, has been in-line with expectations. Given the strong financial position of the GSP, NEPC does not recommend taking more risk to increase expected returns. Discussion ensued.

Actuarial Valuation

Mr. Alan Perry of Milliman spoke next on the annual actuarial valuation of the Guaranteed Savings Fund (resolution FY21-06).

Mr. Perry started by explaining that OTTA has selected 1.4 percent as the expected long-term annualized rate of return on the GSP investments. This is .01 percent lower than the 1.5 percent assumption used in last year's valuation. In addition, the agency selected a tuition growth assumption of 4.00 percent each year which is 0.25 percent lower than the 4.25 percent assumption used in last year's valuation.

The starting Market Value of Assets as of July 1, 2021 is \$192.7 million. Based on the actuarial assumptions the GSP is expected to have a cumulative actuarial reserve of \$125.9 million by 2050, when all credits and units are expected to have been redeemed.

Weighted average tuition for the 2021-2022 school year increased 3.1 percent from the previous year. This is a lower rate of increase than the assumed rate of 4.24 percent used to prepare the prior valuation. This increased the actuarial reserve.

Mr. Perry stated that the Guaranteed Savings Plan is very healthy. As of June 30, 2021, the Guaranteed Savings Plan has sufficient assets to cover the actuarially estimated value of the tuition and expense obligations under all credits and units outstanding as of that date.

Senator Cirino asked if there were any questions. There were no questions.

Senator Cirino called for a vote on resolution FY21-06. Bill Elliott made the motion, which was seconded by Representative Young. A roll call vote was taken. The resolution passed unanimously.

Ms. Good provided a statistical update on the remaining participants in the Guaranteed Savings Plan.

VARIABLE SAVINGS PLAN INVESTMENT

Direct Plan Performance

Mr. DiGirolamo of Wilshire provided an update on the Direct Plan performance. He started by saying diversification within the investment options is paying off during the current stock market volatility. 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.

Most asset classes continue to move forward even with the market driven by inflation and uncertainty due to the COVID Delta variant. Senator Cirino asked about Wilshire's position with the inflation hedge. Mr. DiGirolamo responded that Wilshire takes a long term look into inflation and it is transitory in nature right now but accounted for within portfolio balanced equities. Discussion ensued.

BlackRock Advisor Plan

Mr. DiGirolamo next discussed BlackRock Advisor Plan performance with the investment board. The enrollment-date funds all had reasonable outcomes given the current market. Mr. DiGirolamo closed his presentation by stating that we can expect volatility in the current environment but we are in a good position moving forward. Mr. DiGirolamo provided an update on Voya and the process Wilshire uses to evaluate funds. Discussion ensued.

Manager Research Team Overview and Watch List Evaluations

Mr. DiGirolamo explained how Wilshire uses due diligence in fund performance. Wilshire evaluates fund managers on a day to day basis utilizing a process which is highly qualitative and quantitative in nature. Senator Cirino asked if there has been a general exit of portfolio managers over the past year. Mr. DiGirolamo responded that the quality of analysts is good right now and they are compensated well within the industry.

Due to the underperformance of the Voya fund, Mr. DiGirolamo explained the scoring process Wilshire uses for its portfolios managers. This scoring process is the basis for Wilshire's recommendation to hold on to Voya at this time due to a strong probability of it experiencing gains. He then asked for questions.

Charles See asked if this was a formal recommendation regarding Voya. Mr. DiGirolamo responded he will bring a recommendation on Voya to the November board meeting. Representative Ingram complimented Wilshire on the process used in evaluating fund performance.

EXECUTIVE DIRECTOR UPDATE

OTTA Executive Director Tim Gorrell started his report with the announcement that as of June 30th, 2021, Ohio remains the nation's seventh largest sponsor of 529 plans with total Assets Under Management (AUM) at \$16.2 billion. Ohio's change in AUM quarter over quarter, at an increase of 6.0%, matches the 529 industry average. A strong asset base makes it possible to keep administrative costs to a minimum as a percentage of assets. Mr. Gorrell then shared that Ohio is also the nation's seventh largest sponsor of a Direct Plan with \$9.3 billion in AUM and the fifth largest sponsor of an Advisor Plan with total AUM of \$6.8 billion.

Mr. Gorrell provided a follow up on the TEP conversion scheduled for the first calendar quarter in 2022. Mr. DiGirolamo reported that Wilshire is reviewing the asset allocation and underlying funds used in the Advantage Age-Based Portfolio and will be providing updates at future board meetings.

Mr. Gorrell and Ms. Good will be attending the Morningstar 529 presentation in Chicago on August 25th and will share the information at the November board meeting.

OTTA staff will remain in a hybrid WFH status moving forward. Our customer service representatives continue to have a 99 percent answer and service rate and are working very well within their current environment. The marketing department is getting out with our partners and we can see their impact in our increased AUM.

Mr. Gorrell reminded the board mid-quarter notifications will be sent out regarding current industry news. He encouraged the board to ask if they need more information.

Mr. Gorrell announced the next investment board meeting is scheduled for November 18, 2021. It will be held at 10:00am in West B&C, Riffe Center.

Ms. Yassenoff shared the proposed changes to the Board By-Laws. Senator Cirino asked the board to provide any feedback to Ms. Yassenoff between meetings as action will be taken on the By-Laws at the November meeting. Ms. Yassenoff will prepare a resolution.

LEGISLATIVE UPDATES

There were no significant legislative updates on either the state or federal level. Ms. Yassenoff shared that OTTA's requested line items were preserved through the completion of the state biennial budget process.

NEW BUSINESS

Senator Cirino asked if there was any new business to discuss. There was none.

PUBLIC PARTICIPATION

Senator Cirino asked if there was any public participation. There was none.

ADJOURN

Representative Tom Young made a motion to adjourn the meeting. The motion was seconded by Bill Elliott. A unanimous voice vote was taken. The meeting was adjourned at 11:42 a.m.

Signed by:

Print name:


JAMES D. BENSON

Date:

11/18/21