



Minutes of the Ohio Tuition Trust Authority Investment Board Regular Meeting

OTTA Investment Board Meeting – Thursday, November 18th, 2021
31st Floor West B&C, 77 South High St, Columbus, OH 43215

At 10:02 AM a quorum of the Investment Board was not present, so Chairman Benson called for an informational session to begin. Tarun Garg (virtually) presented the annual BlackRock fund review and updates. At 10:10 AM, Ms. Yassenoff announced there was a quorum present. Mr. Garg continued with his presentation. At the conclusion of his presentation, Mr. Benson called the meeting to order.

CALL TO ORDER: 10:45 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, Matt Kirby, Jack Green.

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

Senator Jerry Cirino joined the meeting virtually, but pursuant to Ohio Revised Code considered absent for quorum purposes and ineligible to participate in conduct of business,

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: Tarun Garg, Blackrock (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

Mr. Benson asked for any questions or comments on the OTTA Investment Board minutes of the August 12th, 2021, meeting. There were none. Mr. Benson called for a vote to approve the minutes. Mr. See made a motion to approve. The motion was seconded by Senator Williams. A voice vote was taken. The motion was unanimously approved.

REVIEW AND ADOPTION OF BY-LAWS

Mr. Benson called for a vote on resolution FY22-01 to approve the revised by-laws as presented by Ms. Yassenoff, OTTA in-house counsel at the August 2021 OTTA Investment Board meeting. Representative Young made the motion, which was seconded by Senator Williams. A roll call vote was taken. The resolution passed unanimously.

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. 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.

Most asset classes continue to move forward even with the market driven by inflation. Mr. DiGirolamo shared that Wilshire continues to take a long term look into inflation and it is accounted for within portfolio balanced equities. Representative Young asked for elaboration on the current impact of bonds on portfolios with the 10-year assumption lower than ever and inflation at 2.5 percent. Mr. Kirby asked about current values of equities. Discussion ensued.

Mr. Benson asked about what happened to Nevada during their TEP conversion. The mapping error with the asset allocation is partly why Nevada's Direct Vanguard Plan was downgraded from gold to silver. This was in reference to the TEP conversion that Vanguard had implemented with the state of Nevada. The details included in the Morningstar detailed analysis include: "As it executed a planned transition to a target enrollment approach in October 2020, Vanguard incorrectly mapped its own recommendations to the new portfolios. This error left the \$12.5 billion invested in these new portfolios exposed to up to 20 percentage points more in stocks than intended, until Vanguard rectified the issue in March 2021. Luckily, most investors--roughly 268,000 accountholders--made money over that stretch, potentially up to 4.2% according to Vanguard's estimates. However, 4,500 accountholders did lose money, collectively shedding over \$233,000 in education savings. Vanguard rectified the issue in March 2021 and subsequently repaid the 2,800 accountholders that experienced more than \$5 in losses. A consultant hired by Nevada to oversee the identification of adversely impacted parties commended Vanguard's timely responses to requests and "sound and conservative assumptions that favored the interest of account owners," which continue to inspire confidence in Vanguard as a steward of 529 assets."

Vanguard proactively informed both OTTA and Wilshire of this error and the corrective measures taken by Vanguard and the Nevada Plan. Ms. Good responded that OTTA will be

diligent to monitor Ohio's Direct Plan TEP conversion to be sure we have internal controls in place to be sure this doesn't occur during Ohio's Direct Plan March 2022 conversion.

Mr. Benson asked Mr. DiGirolamo to address the commentary in the Illinois 529 plan analyst report regarding Wilshire included in the recent Morningstar report. Mr. DiGirolamo has spoken to the Wilshire team and they were circling back to Morningstar for clarification. Mr. Benson asked for further questions. There were none.

EXECUTIVE DIRECTOR UPDATE

Mr. Gorrell asked Mr. DiGirolamo to address Representative Young's question under new business regarding the implications SOFR (Secured Overnight Financing Rate) may have within the 529 market. Representative Young stated the board needs to be educated on SOFR and asked Mr. DiGirolamo to have examples to share at the February 2022 Investment Board meeting. Mr. DiGirolamo stated a lot of the market has already transitioned over to SOFR rates and within the industry it is a good change.

At 11:13 AM, Ms. Yassenoff announced a quorum was no longer present and the meeting would continue as an informational session.

OTTA Executive Director Tim Gorrell started his report with the announcement that as of September 30th, 2021, Ohio remains the nation's seventh largest sponsor of 529 plans with total Assets Under Management (AUM) at \$15.9 billion. The total 529 industry assets under management (AUM) decreased -1.4% from the previous quarter. Ohio's change in AUM quarter over quarter, at a decrease of -1.7%, slightly worse than the industry average. Industry AUM increased year over year by 19.2%; Ohio's year over year AUM change slightly lower at 18.3%. 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 \$9.2 billion in AUM and the fifth largest sponsor of an Advisor Plan with total AUM of \$6.6 billion.

OTTA staff continue to work in a remote posture with the management team meeting once a week in office. Our customer service representatives continue to have a 99 percent answer and service rate and are working very well within their current environment.

Ms. Good reported on the audit. OTTA received an unqualified opinion for each of the audits listed below. In addition, there were no reports of deficiencies in internal control in any of the audits.

The following audits have been completed and filed for the year ended June 30, 2021:

- Deloitte & Touche, LLP:
 - the audit for the Advisor Plan
 - the audit of the banking products of the Direct Plan
- PricewaterhouseCoopers, LLP (PWC) completes the audit for the mutual funds in the Direct Plan;
- The Auditor of the State of Ohio completes the audit of the Guaranteed Savings Plan, the operating funds for the Guaranteed Savings Plan (Fund 6450), and the

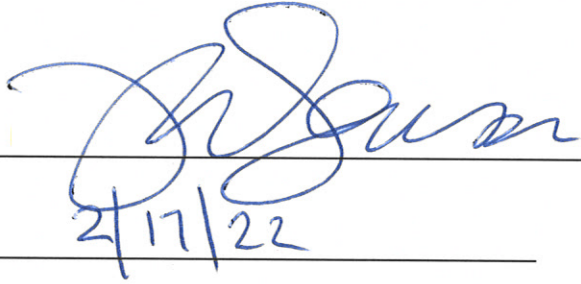
Direct and Advisor Plans, collectively known as the Variable Savings Plan (Fund 5P30), as well as provides the compilation of the Direct and Advisor Plans in the Private Purpose Trust Financial Statements.

Ms. Yassenoff shared the Fifth Third contract continues in an auto-renewal status, renewing September 1 of each year unless notice of non-renewal is given by March 1. At this time, management recommends that the contract be renewed for another year.

Ben Gibbons, Director of Marketing, presented the annual marketing report.

Signed by:

Print name: _____

A handwritten signature in blue ink, appearing to read "Ben Gibbons", written over a horizontal line. Below the signature, the date "2/17/22" is handwritten in blue ink.

Date: _____