



Minutes of the Ohio Tuition Trust Authority Investment Board Regular Meeting

OTTA Investment Board Meeting – Thursday, November 14, 2024

Rhodes Tower, 30 E. Broad St., 18th Floor, Room 1858, Columbus, OH 43215

CALL TO ORDER: 10:01 AM

Chair Jim Benson brought the meeting to order. Ms. Amy Lyle conducted a roll call and announced a quorum was present.

BOARD MEMBERS PRESENT:

Executive Investment Board Members: James Benson, Charles See, Ann Womer Benjamin, Rebecca Princehorn, and Mick Zwayer.

Legislative Investment Board Members: Senator Vernon Sykes and State Representative Willis Blackshear, Jr.

Ohio Tuition Trust Authority (OTTA) Staff: Trisha Good, Executive Director; Dave Kemp, Director of Customer Service and Operations; Amy Manett, Chief Financial Officer; Ben Gibbons, Director of Marketing; Jeff Fogel, Assistant General Counsel ODHE; Victor Mascari, Database Administrator; Mark Smith, OH-TECH; and Amy Lyle, Board Secretary.

Others present: John Park, BlackRock; Mark DiSipio, BlackRock; Paul Drakeley, BlackRock; Stephen DiGirolamo, Wilshire; Erin Kelly, Ohio Attorney General; and Elizabeth Smith, Ohio Attorney General.

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 (“Board”) minutes of the August 15, 2024, Board meeting. There were none. Mr. Benson called for a vote to approve the minutes. Mr. Mick Zwayer made a motion to approve. Rep. Willis Blackshear seconded the motion. Ms. Ann Womer Benjamin abstained. A voice vote was taken. The motion was unanimously approved.

EXECUTIVE DIRECTOR AGENDA AND MEETING OVERVIEW

Executive Director Trisha Good welcomed the Investment Board. She reviewed the Board’s agenda, starting with Wilshire’s 529 Plan Landscape Update. Then the Board will hear OTTA’s recommendation on renewing the Vanguard and Ascensus contracts as well as allowing the Fifth Third partnership to roll over for another year based on the evergreen contract. BlackRock will give their annual presentation on the Ohio 529 Advisor Plan. Mr. Steven DiGirolamo will discuss the current market and share Wilshire’s quarterly updates on the Direct and Advisor Plans performances and market updates. Ms. Good will follow with agency updates, the program’s Morningstar rating, and first quarter 2025 projects. Ms. Amy Manett will cover the program’s quarterly financial update and audit recap. Mr. Jeff Fogel will share any legislative updates.

WILSHIRE 529 PLAN LANDSCAPE UPDATE

Mr. DiGirolamo stated that Wilshire searches for trends and then shares their findings in an annual report of 529 Direct Plan landscape. They discovered that Ohio 529 has more age-based funds than peers as the program offers two

glidepath products - Vanguard Ohio Target Enrollment Portfolio and Advantage Age-Based Portfolio. There is little change in the number of age-based and risk-based products across the 529 industry. Ohio's fees and expense ratios for the age-based/enrollment options, risk-based static options, and individual options all rank in the lowest quartile when compared to peers. Equity exposure in the Vanguard Ohio Target Enrollment Portfolio and Advantage Age-Based Portfolio still range in the middle of the range compared to peers. Across 529 universe, average equity exposure has gone up this year. Both Ohio glide paths are comfortable with the amount of equity exposure taken in each portfolio. Wilshire then compared the amount of risk in Ohio 529 risk-based funds to the 529 universe to judge performance. When compared to peers, Ohio 529 is just above average in the amount of risk in the conservative risk portfolio, average in the moderate risk portfolio, and less than the average in the aggressive risk portfolio. Individual investment options are static within 529 universe as well as Ohio Direct 529 Plan. Wilshire is comfortable with the number of options and the asset classes available in the Ohio Direct 529 Program.

FIFTH THIRD CONTRACT RECOMMENDATION

Mr. Jeff Fogle described the nature of the evergreen contract with Fifth Third Bank, which automatically renews each year unless the Board decides not to move forward with it. OTTA recommends that the Board allow the contract to be renewed.

Mr. Benson asked about Fifth Third rate benchmarking compared to the peers and stated that it looks like only Ohio and one other state program offers 529 CDs. Ms. Good stated that Ohio 529 offers more terms and rate options than Colorado. Ohio is a unique 529 program with CD terms and rates, which carries the pass-through FDIC insurance.

Mr. Ben Gibbons shared the history of Ohio 529 and Fifth Third's partnership, which was beneficial during the Great Recession as customers were moving out of investment options into banking products. Another benefit is that OTTA works with Fifth Third's retail operations to combine marketing efforts and financial literacy in communities. In 2025, OTTA and Fifth Third will celebrate and promote the partnerships' 20th anniversary. Ms. Good added that the partnership was in response to the closing of the Ohio 529 Guaranteed Plan to new customers in 2003. Ohio 529 customers wanted a secure, safe place for their assets and Fifth Third was the answer. Mr. Dave Kemp explained that the 529 savings accounts for when a CD matures, the funds can be transferred to a savings account, and it won't count as one of the two annual exchanges allowed. Ms. Good added that OTTA has worked with the recordkeeper, Ascensus, to provide a seamless operation with the Unite platform so customers don't have to go to Fifth Third and Ohio 529 platforms to log in. Ms. Good concluded that OTTA highly recommends the continuation of the Fifth Third partnership, which is exclusive for both partners. Discussion ensued.

VANGUARD CONTRACT RENEWAL RECOMMENDATION

Ms. Good then discussed OTTA recommendation of implementing the five-year extension in the current Vanguard contract, which will expire on June 30, 2025. The partnership began in May 2004 after a competitive RFP process. Vanguard has added investment option diversification in the Ohio 529 Direct Plan with many low-cost options. In Ohio's 529 Direct Plan, Vanguard investment options account for 90% of the Assets Under Management (AUM), which totals \$11.3 billion. In the 20-year partnership, Vanguard redefined and transitioned their products to meet OTTA's requests. Vanguard has offered to lower their price for Ohio 529 customers based on certain levels of AUM reached within Vanguard products with Ohio 529 with the contract renewal. OTTA recommends extending the Vanguard contract for an additional five years. Wilshire is pleased with Vanguard's level of service and number of resources shared to improve the Ohio Direct 529 Plan. Discussion ensued.

Mr. Benson called for a vote to approve the five-year contract renewal with Vanguard (FY25-01). Ms. Rebecca Princehorn made a motion to approve. Ms. Womer Benjamin seconded the motion. A roll call vote was taken. The motion was unanimously approved.

ASCENSUS CONTRACT RENEWAL RECOMMENDATION

Mr. Kemp started the discussion on OTTA's recommendation of using the five-year extension in the current Ascensus contract, due to expire on June 30, 2025. OTTA has partnered with Ascensus since November 2013.

Ascensus is the leader in 529 recordkeeping industry and supports forty-six 529 programs and holds 48.5% of assets overall in the 529 industry. Ascensus engages in ABLE and pension plans in government savings and has had no auditing problems.

OTTA has a strong relationship with Ascensus. Peg Creonte, the current Ascensus president, was OTTA's original relationship manager. Our current relationship manager, Mike Bibilos, has worked with OTTA since 2015. Ascensus is a great partner as they regularly share resources and best practices as well as find good solutions to issues. For instance, the Fifth Third implementation for one sign-in was a difficult process and Ascensus made it work. To benefit account owners, Ascensus offers desktop and mobile options. Account owners and others can contribute via online, paper checks, payroll deductions, recurring contributions, and Ugift, which allows non-account owners to contribute without having the 529 account number. Another benefit from Ascensus is their work with Flywire to have 529 withdrawals sent directly to participating colleges, and with Higher One, which is the backbone of payment process at universities.

Ascensus is proposing a new pricing schedule and breakpoints. With the renewal, Ascensus will waive their fee for imaging the Ohio Guaranteed Savings Plan transactions and correspondence. Ascensus will also cover the expense of printing the CollegeAdvantage quarterly newsletter which accompanies the quarterly statements. Discussion ensued.

Mr. Benson called for a vote to approve the five-year contract renewal with Ascensus (FY25-02). Mr. Zwyer made a motion to approve. Ms. Womer Benjamin seconded the motion. A roll call vote was taken. The motion was unanimously approved.

BLACKROCK ANNUAL PRESENTATION

Mr. Paul Drakeley, managing director and co-chair of national accounts at BlackRock, started the presentation with Mr. John Park and Mr. Mark DiSipio to help. The Ohio Advisor 529 Plan is an especially important one to BlackRock and they are adding another industry expert team member to best serve the program.

Mr. Park shared that Morningstar upgraded the Ohio BlackRock CollegeAdvantage 529 Plan to silver: it's one of two advisor plans at this ranking. It was a multi-year effort to be upgraded with continual improvements to the investment options, like adding lower fee iShares, and removed A shares service charge. BlackRock's glidepath products are different from other asset managers as its Global Tactical Asset Allocation Team can change allocations, underlying funds and ETFs as market conditions change with great success.

Mr. Park continued that target-date investments, in which two-thirds of the accounts are saving, have outperformed over this period under the Global Tactical Asset Allocation Team's guidance. New single options are tracking a little under the benchmark. As Mr. DiGirolamo stated earlier for the AABP and Ohio Vanguard Target-Enrollment Portfolios, BlackRock's glide paths have trended more with more equity exposure, which has benefited the account owners. The glidepath is constantly being evaluated by the Multi-Asset Strategy Solution team.

The fees for the BlackRock CollegeAdvantage 529 Glidepath products are in the lower range when compared to other state programs. Overall, BlackRock CollegeAdvantage 529 is having better results than most of other advisor plans.

When BlackRock took over the advisor plan from Putnam in 2011, there has been a gradual increase in assets to nearly \$7 billion. Mr. Park shared that there is a strong correlation between Omnibus status and the growth of the Advisor Plan. With Omnibus, clients can see all their investments in their client portal and their financial advisors can do transactions on their firm's platforms. It is much easier for clients and advisors to add to their 529 accounts. BlackRock is in active conversations with many firms to onboard them to Omnibus, which will decrease the amount of paperwork. Also, the addition of the Roth IRA rollover as a qualified higher education expense has been a great conversation starter for financial planners about the strengths of saving in a 529 plan and how 529s can become a multi-generational education savings account as it can be passed down within the family without taxes and penalty.

Mr. DiSipio shared that the BlackRock College Advantage marketing has had a successful year. BlackRock ran three email sales campaigns: One in March on the Roth IRA rollover, cost reduction of Ohio plan, and how to education and retirement savings conversations; one in May on graduations, 529 Day, and 529 tax benefits; and one ongoing through end of

November on taxes and 529s with its tax benefits. BlackRock has seen an increase of \$2M assets after the campaigns. The goal of a 5% increase in new account growth, which is around 13,500, has been met at 99% at the end of third quarter. Mr. DiSipio shared that BlackRock held regional meetings with Edward Jones Advisors in Cincinnati and Columbus, and with LPL in Cleveland. Two corporate sponsor plans were added from the State of Ohio. BlackRock meeting the next generation of savers with TikTok videos, email campaigns, and insight articles.

WILSHIRE QUARTERLY UPDATE

Mr. DiGirolamo said that markets were very robust in the first three quarters but very volatile. The U.S. equity market is up 6.2% in the third quarter. The Fed cut fifty basis points in September, so stocks rallied. Wilshire is expecting the fourth quarter to be volatile too. All major assets classes are positive, starting with US equities, which continue to rally. Bond prices are falling in the fourth quarter, so the markets are still showing volatility. The robust market and volatility are making it hard for active managers to meet benchmarks. Discussion ensued.

Direct Plan Performance

For the AABP, all numbers are positive, with the funds with more equity doing better. The 2044 AABP fund was launched in July, and 2024 AABP fund was rolled over into the Graduate fund. All Vanguard Ohio Target-Enrollment Portfolios had positive returns but are a little behind benchmarks. The aggressive risk-based portfolios did best but all risk-based options are positive. Some individual investment options trailed their benchmarks. There was some short-term volatility, but Wilshire is not concerned. Everything is moving in the right direction. Wilshire has no investment options concerns and there are no management changes. Discussion ensued.

Advisor Plan Performance

BlackRock's glidepath funds are showing their strength when compared to its peers. These long-term performance numbers are what drove the Morningstar ranking increase. Risk-based funds had better performance based on holding more equity in the fund. BlackRock has a robust line-up of individual funds. Discussion ensued. Wilshire is comfortable with BlackRock's line-up and continues to expect good results in future.

EXECUTIVE DIRECTOR UPDATE

Ms. Good presented that Ohio remains the nation's seventh largest state sponsor of 529 plans with a total AUM of \$18.2 billion as of September 30, 2024, which is an increase of 21.4% year over year. Ohio's 529 Plans are growing slightly slower than other state-run 529 programs. Discussion ensued.

Ohio is the nation's seventh largest sponsor of a Direct 529 Plan with \$11.27 billion in AUM as of September 30, 2024. Ohio's change in AUM year over year, at an increase of 23.6%, trailing slightly behind the industry average. Ohio is the fifth largest sponsor of an Advisor Plan with total AUM of nearly \$6.88 billion as of September 30, 2024. The Advisor 529 Plan increase in AUM year over year is 17.9%.

Mr. Craig Svendsen reached out to alert OTTA that Hightower assumed 80% ownership of NEPC. Mr. Svendsen will remain OTTA's point person and OTTA should not see any changes but only improvements.

Morningstar ranked both the Ohio Direct and Advisor 529s Plans as silver. OTTA received good commentary from Morningstar and better understand their scoring and the means to improve the rankings.

Upcoming projects include an office move, which is expected to take place before June 30, 2025. Also, OTTA is researching easier ways for customers to make distributions through their phones, which is backed by 529 credit cards providers.

OTTA continues to wind down the Guaranteed Plan. Due to recent mailing to twenty-eight and older as well as small balances accounts, there will be a large payout. Mr. Kemp replied that the funds were mostly directed to Direct 529 accounts and Roth IRAs. Ms. Good added that Guaranteed account owners will receive another mailing on their options for their remaining funds at the start of 2025.

Financial update

Ms. Amy Manett shared that contributions were up for both the Direct and Advisor Plans quarter over quarter with 10.2% and 8.7%, respectively. Distributions are also up in the Direct and Advisor Plans quarter over quarter with 8.8% and 5.6%, respectively. Distributions always increase in fall when tuition is due. There were also Roth IRA rollovers in the Direct Plan. Net flows were negative for both plans, as account owners requested their funds to pay tuition bills.

As of Sept. 30, 2024, there were approximately 4,700 Guaranteed Plans. OTTA is expecting to be under 4,000 Guaranteed accounts after the next payout. The Guaranteed Plan is very well-funded.

There are no concerns about the agency's revenue. As AUM continues to increase, so does revenue. Wilshire and OTTA will study and finalize their annual revenue projections soon.

All three Ohio 529 plans – Direct, Advisor, and Guaranteed - were independently audited. Customer account and investment transactions are sampled to make sure of OTTA's compliance with 529 regulations and internal control. OTTA received unqualified opinions and all audits are clean. Mr. Benson congratulated the OTTA team.

Legislative updates

Mr. Fogel is tracking bills at the statehouse that may impact Ohio 529, including State House Bill 257, which sets parameters on online meetings. There is nothing to report at a federal level now, but new potential 529 uses may come with the new presidency. Mr. Fogel reminded the Board that their annual ethics training must be completed by the end of the year. He requested that the Board send him their certificate of competition. The Board's FDS filing is due by May 15, 2025. Mr. Fogel and the general counsel are happy to review the paperwork before submission.

NEW BUSINESS

Mr. Benson recognized Sen. Vernon Sykes as this was his last OTTA Investment Board meeting. He thanked Sen. Sykes for his service and participation on the Investment Board.

PUBLIC PARTICIPATION

There was no public participation.

ADJOURN

Mr. Zwyer made a motion to adjourn the meeting. Ms. Princehorn seconded the motion. A unanimous voice vote was taken. The meeting was adjourned at 11:54 a.m.

Signed by:

Print name: _____

Date: _____


