



Minutes of the Ohio Tuition Trust Authority Investment Board Regular Meeting

OTTA Investment Board Meeting – Thursday, May 14th, 2020
Virtual Meeting via Webex due to COVID-19 pandemic teleworking policy

CALL TO ORDER: 10:04 a.m.

Mr. James Benson brought the meeting to order and reviewed the virtual meeting procedure and expectations. He then thanked everyone for their continued work during the COVID-19 crisis.

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

BOARD MEMBERS PRESENT:

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

Legislative Investment Board Members: Representative John Rogers, Senator Steve Wilson, 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; Kim Fisher, Human Resource Specialist; Michelle Chavanne, General Counsel; Jeff Fogel, General Counsel; Nancy Braun, Executive Administrative Assistant

Others present: Todd Marti, Legal Counsel, Office of the Ohio Attorney General; Craig Svendsen, NEPC; Mary Ryan, Vanguard; Brendan McAndrews, DFA Portfolio Manager; Jeff Antonacci, DFA; Steven DiGirolamo, Wilshire; Daniel Beck, Claire Rubin, and Michelle Kenning, Fifth Third; Mike Biblios, Ascensus; Kurt Reiman, Blackrock, Inv Inst NA Strategist; Tarun Garg, Blackrock, USWA Head of College Savings

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 February 13th, 2020, meeting. There were none. Mr. Benson called for a vote to approve the minutes. Senator Sandra Williams made a motion to approve. The motion was seconded by Senator Steve Wilson. A roll call vote was taken. The motion was approved.

GUARANTEED SAVINGS PLAN (NEPC)

Craig Svendsen, CFA, Partner with NEPC, provided a brief overview of the quarterly performance of the Guaranteed Savings Plan. The Plan returned 0.5% during the first quarter. For the year ending 3/31/2020, the Plan returned 4.5%. The performance of Loomis' custom treasury strategy, where most assets are invested, has been in line with expectations. There were no due diligence updates for the Plan's managers during Q1.

Mr. Svendsen explained that in order to set the actuarial return assumption for the annual valuation report, Staff, NEPC and Milliman recommend the Board approve a process that would utilize a combination of inputs. This would be yield to maturity on the customized Treasury portfolio, and NEPC's forward-looking 5-7 year expected rate of return for equities and short-term investments as of June 30, 2020 to calculate the Plan's investment return assumption to be used in the actuarial valuation. These inputs would be in the same proportion as the asset allocation at June 30. Mr Benson asked what the rate was going in and what it would be today. Mr. Svendsen stated three percent was used as the investment return assumption for June 30, 2019. Mr. Svendsen estimated the new investment assumption would be in the range of 1.2% - 1.3% based on current yields on treasuries and forward-looking equity and cash expected returns. Mr. Benson asked Ms. Good to cover tuition inflation assumptions in relation to the recommendation.

Ms. Good shared that OTTA engages Milliman, our actuarial consultant, to provide an annual actuarial valuation of the financial position of the Guaranteed Savings Plan (GSP). This report will be prepared as of June 30th and presented to the Board for consideration and approval at the August board meeting. Therefore, the OTTA seeks guidance and approval from the OTTA Board to provide Milliman the tuition inflation and investment return assumptions to be used in their assessment. OTTA recommends lowering the tuition inflation assumption from 5.0% to 4.25% which is conservatively in line with the 20-year average tuition inflation rate of 4.13%. Ms. Good explained this assumption considers the long-term historical tuition inflation, the declining number of beneficiaries in the GSP and the uncertain future from the COVID-19 fallout and how tuition will rise in future years. Ms. Good further explained the recommendation of adopting a process for determining the investment return assumption instead of asking Board to approve a specific return assumption at this time. Mr. Benson asked if the board had questions for Ms. Good or Mr. Svendsen before voting on the resolution. There were no questions from the board.

Mr. Benson called for a vote to accept the Actuarial Assumptions Resolution. Mr. Matt Kirby made a motion to accept the resolution. Mayor Ann Womer Benjamin seconded the motion. A roll call vote was taken. The motion was approved.

VANGUARD PRESENTATION AND UPDATE

Mary Ryan, Vanguard Senior Relations Manager of Ohio's 529 Plan, provided Vanguard's update to the board. Ms. Ryan shared the impact of the COVID-19 pandemic on the financial market and Vanguard's response to its investors. Ms. Ryan explained Vanguard believes that the principles of portfolio construction remain unchanged given the expected outlook for stocks and bonds with performance not surprising given the current volatility of the market. Ms. Ryan then turned the presentation over to Mr. Bibilos for the Ascensus update.

ASCENSUS PRESENTATION AND UPDATE

Mike Bibilos, Relationship Manager for College Savings Plans with Ascensus, provided an overview of COVID-19 and its impact on account owner behavior. The pandemic began in mid-March. Mr. Bibilos shared that during the past 11 weeks, within the CollegeAdvantage Plan, non-recurring contributions have stayed the same or increased from last year and people have maintained their recurring contributions. He then explained that non-qualified withdrawals are down compared to last year as well which is a positive. There were no questions from the board for Ms. Ryan or Mr. Bibilos. Mr. Benson thanked them for their time and presentation.

DIMENSIONAL FUND ADVISORS PRESENTATION AND UPDATE

Jeff Antonacci, CFA, Vice President of Dimensional Fund Advisors and Brendan McAndrews, Portfolio Manager provided a brief update to the board. Mr. Antonacci presented on the impact COVID-19 has had on the current environment and the performance of funds. Mr. Antonacci stated asset diversification was a strength going into this crisis. He then shared historic observations of one year and 10-year premiums. Mr. McAndrews discussed the positive impact of the diversity in portfolio construction and that portfolios have performed as expected. Mr. Benson asked if they were surprised that small cap stocks snapped back faster than large cap. Mr. McAndrews explained that small cap are more volatile than large so they fell further. As a result, they are not surprised to see a faster snap back from small vs. large cap stocks. There were no further questions from the board. Mr. Benson thanked them for their support and participation.

FIFTH THIRD BANK 529 SAVINGS PROGRAM PRESENTATION AND UPDATE

Dan Beck, VP, Product Line Manager; Michelle Kenning, AVP, Product Manager and Claire Rubin, Investment Strategy Group, presented for Fifth Third. Ms. Kenning discussed Fifth Third's response to COVID-19 sharing the focus has been on the positive vs. negative by leveraging products to specific customers' needs. Ms. Rubin gave context and perspective of the economic outlook and reviewed data back to the late 1800's. She shared that entering this pandemic there were no imbalances in our economy. Short term damage has been done due to high rates and lengths of unemployment which will slow recovery, but the quick government response has helped.

Ms. Kenning gave a brief overview of Fifth Third's 529 Portfolio composition year end comparisons. CD balances have increased \$50MM since 2016 and total 529 portfolio has grown 22% in four years. In 2018, customer preference shifted from CD's to savings deposits due to

higher rates and shorter returns, FDIC insurance, no market volatility risk and easy access to funds/high liquidity. Ms. Kenning then shared 529 CD and Savings rate updates on plans with FDIC insurance noting that Fifth Third offerings remain competitive. Initiatives for 2020 include marketing with OTTA focused on increased visibility and partnerships in different areas of outreach in Ohio as well as virtual meetings and a dedicated resource center for employees to use to educate customers on opening a 529 plan. Mr. Benson asked Ms. Rubin about Fifth Third's expectations of 529 plan deposits and how they expect consumers to operate in the foreseeable future. Ms. Rubin explained they expect consumer spending to go down and savings to remain high for quite a few months. The question is how long the uncertainty continues before consumers return to typical patterns of spending. There were no other questions from the board.

BLACKROCK PRESENTATION AND UPDATE

Tarun Garg, BlackRock Head of College Savings and Kurt Reiman, BlackRock Investment Strategist, gave a brief update on the COVID-19 impact on markets, College Advantage portfolios, and investor behavior. Mr. Reiman presented an overview of the current impact of the crisis explaining the while plan assets are down in line with the market, no panic account closing was observed in March. Mr. Garg stated that portfolios are behaving as expected at this time and explained that to determine investor behavior they looked at three questions: 1) Did clients get nervous in March and April and shut down their accounts? The answer was no. 2) If they did not shut down their accounts then did they withdraw funds? The answer was no. 3) If they did not shut down or withdraw their accounts did they stop contributing? The answer was no. As a result, the outlook is positive with performance as expected. There were no questions from the board for Mr. Garg or Mr. Reiman. Mr. Benson thanked them for their time.

VARIABLE SAVINGS PLAN INVESTMENT UPDATE

Steve DiGirolomo, Wilshire Associates, provided an update on the Direct Plan performance and the Advisor Plan. 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. Mr. DiGirolomo next discussed BlackRock Advisor Plan performance with the investment board. He explained that most fixed income bonds did well for the quarter with treasury outperforming corporate. Mr. Benson asked if there were any funds that were of concern. Mr. DiGirolomo stated all funds performed as expected; the more conservative funds performed as we wanted and have bounced back as expected in April. There were no further questions from the board.

EXECUTIVE DIRECTOR UPDATE

OTTA Executive Director Tim Gorrell started his report with the announcement that as of March 31, 2020, Ohio is the nation's sixth largest sponsor of 529 plans with total Assets Under Management (AUM) at \$11.5 billion. Ohio's change in AUM quarter over quarter, at a decrease of -11.0%, is slightly better than 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 sixth largest sponsor of a Direct Plan with

\$6.3 billion in AUM and the fifth largest sponsor of an Advisor Plan with total AUM of \$5.3 billion.

Mr. Gorrell complimented the OTTA staff on the seamless transition that has occurred since the work from home environment began on March 13. He shared that OTTA closed phone lines March 13th and has reduced call center operations with minimal staffing. Customers facilitate questions via email and if questions warrant a call back it is returned within 24 hours. Mr. Gorrell explained the trend shows most call backs are for account access and re-contribution questions. As a result there has been an uptick in webpage traffic and the current call center structure is working well.

Mr. Gorrell reminded Board Members the calendar year 2019 Financial Disclosures are due to be filed by July 15th. He encouraged filing before June 30, if possible to keep it in FY20.

There were no relevant legislative updates on either the state or federal level.

Mr. Gorrell announced the next investment board meeting is scheduled for August 13, 2020. Information will be forthcoming as to whether this meeting will be virtual.

MARKETING UPDATE

Ben Gibbons, Director of Marketing, OTTA, gave a brief update on marketing in the COVID-19 environment. Mr. Gibbons shared that OTTA continues to provide customers with timely updates. He then shared website and blog traffic has exceeded FY19 to date with contributions and new account growth as of the end of March up compared to the same time last year. Mr. Gibbons explained that since events help drive marketing efforts, his team has shifted to virtual events and presentations with good success.

NEW BUSINESS

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

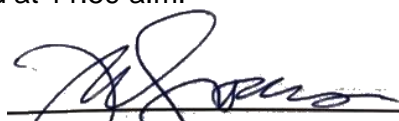
PUBLIC PARTICIPATION

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

ADJOURN

Mr. Benson called for a vote to adjourn the meeting. Mr. David Kosanovic made a motion to adjourn. The motion was seconded by Senator Wilson. A unanimous voice vote was taken. The meeting was adjourned at 11:59 a.m.

Signed by:


JAMES D. BENSON

Print name:

Date:

AUGUST 13th, 2020