



Minutes of the Ohio Tuition Trust Authority Investment Board Regular Meeting

OTTA Investment Board Meeting – Thursday, May 15, 2025

Vern Riffe Center, 77 S. High St., 19th Floor, Room 1932, Columbus, OH 43215

CALL TO ORDER: 9:59 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, and Mick Zwayer.

Legislative Investment Board Members: Senator Jane Timken, Representative Heidi Workman, and Representative Beryl Brown Piccolantontio.

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

Others present: In person: Stephen DiGirolamo, Wilshire; and Craig Svendsen, NEPC. Online: Julia Ward, Vanguard; Ryan Zalla, Vanguard; Judy Cunningham, Julia Haffele, and Jyothi Vasamsetty, OTTA; and Erin Kelly, 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 November 14, 2024, Board meeting. There were none. Mr. Benson called for a vote to approve the minutes. Ms. Ann Womer Benjamin made a motion to approve. Mr. Mick Zwayer seconded the motion. A voice vote was taken. The motion was unanimously approved.

EXECUTIVE DIRECTOR AGENDA AND MEETING OVERVIEW

Executive Director Trisha Good welcomed Senator Jane Timken, Representative Heidi Workman, and Representative Beryl Brown Piccolantontio to the Board. Ms. Good reviewed the agenda, starting with Vanguard’s annual presentation. Then the Board will learn more about Ohio House Bill 96, the main operating budget overview. The Board will hear about updates on the 5-Year Rule and then vote on the item, FY25-03 Resolution. Ms. Good will follow with agency updates. Ms. Amy Manett will cover the program’s quarterly financial update. Mr. Jeff Fogel will share legislative updates. Mr. Steven DiGirolamo will discuss Wilshire’s quarterly updates on Direct and Advisor Plans’ performances and how the current markets are affecting the plans. Mr. Craig Svendsen will be available as the representative for NEPC, the Guaranteed Plan investment partner.

VANGUARD ANNUAL PRESENTATION

Ms. Julia Ward, Vanguard Senior Relationship Manager in Education Savings, thanked the Board and introduced Ryan Zalla, who is an economist with Vanguard’s investment strategy group. Vanguard has just celebrated its 50th anniversary. At the end of the first quarter of 2025, Vanguard has \$10 trillion assets under management (AUM). Vanguard appointed Salim Ramji as the new Chief Executive Officer last July and is executing his objectives which includes Vanguard’s largest expense ratio reduction across 168 share classes across 87 funds, with an average reduction of 20% per fund. This is expected to deliver \$350 million in value to the funds and investors in 2025 alone.

Ms. Ward stated that Vanguard dominates in the education savings business with \$181 billion AUM with 47 529 programs across 43 states. Vanguard maintains 57- 58% of 529 direct assets in the business. Vanguard continually assesses ways to improve its offering to its 529 clients. This year, Vanguard migrated its multi-asset products portfolios to a new automated trading platform, which enhanced portfolio administration and tighten tracking, especially in periods of high volatility. Ohio 529 CollegeAdvantage multi-asset portfolios were transitioned to the new platform on May 12. Discussion ensued.

Mr. Ryan Zalla then spoke on the current economy, starting that 2025 began strong with inflation headed down to 2%. Then the markets reacted to the original effective tariff rates of closer to 20-25%, which will continue to economic uncertainty throughout the year. With recent agreements, the effective tariff rates will likely head to 10-15%, leading Vanguard to an outlook of mid-1% range for growth this year. Vanguard also expects the Fed to cut interest rates twice this year. The continuing uncertainty will weigh on economic growth this year.

HOUSE BILL 96 – MAIN OPERATING BUDGET OVERVIEW

Mr. Charles See started the brief update of House Bill (HB) 96, which includes Chancellor Mike Duffey's and Gov. Mike DeWine's strategic priorities. HB 96 has potential implications for OTTA as the governor's proposed budget includes a provision which assists colleges and universities to right size their campuses based upon current enrollment. In the bill, there is an appropriation of funds from the OTTA Guaranteed Plan surplus to create a revolving loan fund for institutions to reduce square footage, currently called the Strategic Square-Foot Reduction Fund. Potentially up to \$82 million may be transferred from OTTA Guaranteed Plan surplus. Chancellor Duffey has the authority to request the transfer of the surplus funds as approved by the Ohio Office of Budget and Management. As the State of Ohio took the risk in guaranteeing these original 529 funds in accordance with the Ohio Revised Code, it now has access to the surplus that was created by OTTA's prudent financial decisions. Mr. Benson stated that this information is for the Board awareness as the Board oversees investment decisions only. Mr. See added that the Guaranteed Plan Fund will not be in jeopardy with this appropriation and will fulfill its current obligations to Guaranteed Plan account beneficiaries. Currently, the Guaranteed Plan has a surplus of \$90 million, so there will be \$8 million still left in the reserve. Discussion ensued.

FIVE-YEAR RULE REVIEW

Mr. Jeff Fogle started the discussion on the Five-Year Rule Review, for which the Board will need to approve minor edits to ten rules. The first is OTTA's new office address; the other changes are to fall in line with regulatory restrictions laws. There are also changes made to the Definitions page; some of which are directed at the Board's duties and responsibilities. The others are to OTTA's duties and responsibilities but can also involve the Board duties regarding underlying investments. Mr. Fogle said the rules can be found in the Ohio Revised Code Section 111. The revised rules will not require a public hearing once filed. The Joint Committee on Agency Rules (JCAR) Review will have 65 days to look over the revisions. After the final file, the rules will be in effect 10 days later. Discussion ensued. Ms. Womer Benjamin made a motion to approve the FY25-03 Resolution. Mr. Zwayer seconded the motion. A roll call vote was taken. The motion was unanimously approved.

EXECUTIVE DIRECTOR UPDATE

Ms. Good presented that Ohio remains the seventh largest 529 state-sponsored program in the nation with total assets of \$18.07 billion as of March 31, 2025, with 5.3% increase year over year (YOY). The Ohio Direct 529 Plan is seventh in the nation out of 61 other Direct Plans, with \$11.23 AUM, with a 7% increase YOY. The BlackRock Ohio Advisor Plan is the fifth largest in the nation with \$6.8 billion AUM. Its growth is in line with other Advisor 529 programs.

OTTA office recently relocated to the Ohio Department of Higher Education building at 25 S. Front St., 1st Floor, in downtown Columbus. The agency office space went from 14,000 square feet to 9,000. Ms. Good also reminded the Board that the fiscal year ends on June 30, 2025. After which, the finance department will prepare for the annual audits. OTTA is also preparing for the Morningstar presentation this fall. For the past 11 years, the Ohio Direct 529 Plan has been ranked as silver. Last year, BlackRock Ohio Advisor 529 Plan was ranked as silver.

Ms. Good shared that the OTTA is getting ready to launch an improved universal enrollment process online and on the READYSAVE 529 app, which will simplify opening an Ohio 529 account. Also, the customer service department has the high-

call volume team in place as the summer withdrawal season begins. There are also many summer events where OTTA will be out in front of the public, including the Ohio State Fair, professional and academic organizations, and many sports events. Also, OTTA will be issuing an RFP for the comprehensive advertising and marketing services. Currently, the contract is with Fahlgren Mortine. Lastly, OTTA is in compliance with the federal government update for 1099 Q forms.

Financial update

Ms. Amy Manett shared that contributions were up for both the Ohio Direct and Advisor 529 Plans year over year with 8.1% and 14%, respectively. Distributions are also up in the Direct and Advisor Plans year over year at 11% and 3.3%, respectively. The pattern continues that there are more Roth IRA rollovers in the Direct Plan than in the Advisor Plan.

As of March 31, 2025, there is \$125 million AUM in Guaranteed Plan. The present value for the Guaranteed Plan is \$34 million. Communications with Guaranteed Plan account owners has highlighted the options they have for their savings including rolling over the funds to an Ohio Direct Plan, making withdrawals for qualified higher education expenses, and the Roth IRA rollover. Guaranteed Plan distributions are up about 16%, with many account owners taking advantage of the Roth IRA rollover.

There are no concerns about the agency's revenue. As AUM continues to increase, so does revenue. OTTA will be taking a deeper dive into projections to see if there is a need to change the fees.

Legislative updates

Mr. Fogel stated that the Federal Ways and Means Committee added The Freedom to Invest in Tomorrow's Workforce Act, which will expand post-secondary accessibility for 529s to be used for continuing education, to the reconciliation bill called the Big Beautiful Bill.

At the state level, Ohio House Bill 48 was introduced in the 136th General Assembly, which will modify tax deductions for contributions to 529 plans and ABLE accounts. If passed, it will increase the tax deduction for married couples filing jointly to \$8,000. Also, Ohio House Bill 257 is in effect as of April 9, 2025, which allows for virtual meetings if certain conditions are met. A policy would have to be adopted by the Board for virtual meetings, in which many specific requirements will be included. Mr. Fogel asked the Board if they would like to have him draft a policy; however, he stated that the Board does not have to decide on the matter at this meeting. He can track how other boards are moving forward with this virtual meeting option. Discussion ensued.

WILSHIRE QUARTERLY UPDATE

Mr. Steve DiGirolamo introduced himself to the new Board members as the Wilshire representative for Ohio Direct and Advisor Plans. He began that markets were very volatile this quarter and it affected performance. The expectations of tariffs drove the markets down. The areas where tariffs will affect - such as information technology and consumer discretionary - experienced pullbacks. International markets had a more positive return for the quarter. U.S. equities have been more positive through the years, so this is a reversal of trends. Bond prices are up for the quarter. As for asset class performance, U.S. equities are the only negative. There has been lots of volatility since the end of the first quarter and Wilshire expects that it will continue for the rest of the year. Like Vanguard, Wilshire is expecting two Fed rates cuts. Discussion ensued.

Direct Plan Performance

There are twenty-two investment options in the Ohio Direct Plan. The Age-Based Advantage Plan (AABP) has different glidepaths than the Vanguard Ohio Target Enrollment Portfolios (TEP). The AABP glidepath contains less U.S. Equities than its peers so it has performed better in the first quarter. The Vanguard Ohio TEP starts with more equity risk and then rapidly decreases, so it has been affected by the drop in U.S. Equities performance for this quarter. Everything was in line with expectations. Discussion ensued. The more aggressive risk-based funds' performance was down for the quarter. The individual options had mixed performance, based on their active or passive management. Three funds underperformed when compared to their benchmarks as their underlying funds in communications services, information technology, and

financials sectors hurt their performance. However, Wilshire expects these funds to outperform in the second quarter. Discussion ensued.

Advisor Plan Performance

BlackRock offers their own glidepath funds, which has more equity than its peers. This is what caused its underperformance in the first quarter. However, this additional equity is the source of its strong returns in the 3- to 5-year period.

The three risk-based funds had a negative performance this quarter based on the amount of equity in them. Again, this amount of equity allowed the funds to outperform in the 3- to 5-year period. Wilshire is monitoring individual investment options that continue to struggle against its benchmarks. However, Mr. DiGirolamo stated that BlackRock is known for its ability to pinpoint problems within funds to make the right changes. Discussion ensued.

Ms. Good finished the program review by sharing that Fifth Third Bank, OTTA's banking product partner, offered special promotional CD rates in honor of Fifth Third Day (May 3) and 529 Day (May 29). These promotional rates will end on June 6, 2025. Wilshire is comfortable with the CD rates that Fifth Third provides.

NEW BUSINESS

There was no new business.

PUBLIC PARTICIPATION

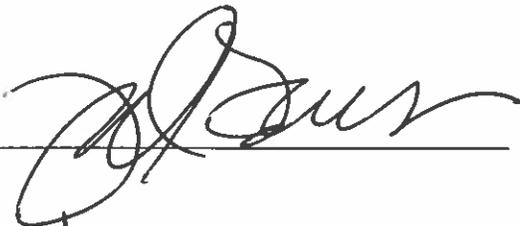
There was no public participation.

ADJOURN

Mr. See made a motion to adjourn. Ms. Womer Benjamin seconded the motion. A unanimous voice vote was taken. The meeting was adjourned at 11:52 a.m.

Signed by:

Print name: _____



Date: _____

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