



Minutes of the Ohio Tuition Trust Authority Investment Board Regular Meeting

OTTA Investment Board Meeting – Thursday, August 18, 2022
Room 1960, 77 South High St, Columbus, OH 43215

CALL TO ORDER: 10:02 AM

Chairman 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, William Elliott, Rebecca Princehorn, and Carissa Krane.

Legislative Investment Board Members: Representative Tom Young and Senator Dale Martin..

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; Elizabeth Yassenoff, In-House Counsel; Ben Gibbons, Director of Marketing; Amy Lyle, Communications Coordinator; and Mark Smith, OH-TECH.

Others present: Former Senator Sandra R. Williams (attended virtually to receive Resolution of Recognition for past service); Alan Perry, Milliman; Stephen DiGirolamo, Wilshire; Craig Svendsen, NEPC; Joe DeVico, BlackRock; Mary Pat Roenbeck, BlackRock; Bill Dunigan, BlackRock; Danielle Sweeney, BlackRock; John Park, BlackRock; Mark DiSipio, BlackRock; and Alex Hirsch (via phone), BlackRock.

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 May 19, 2022, meeting. There were none. James Benson called for a vote to approve the minutes. Bill Elliott made a motion to approve. Rep. Tom Young seconded the motion. A voice vote was taken. The motion was unanimously approved.

BOARD MEMBER RESOLUTION OF RECOGNITION (FY22-07)

In acknowledgement to former Sen. Sandra Williams' service to the Board, Ms. Yassenoff read the "Resolution of Recognition" for former Sen. Williams. Afterwards, Mr. Benson asked for a motion. Rep. Young made a motion to approve the resolution and Mr. Elliot seconded the motion. The resolution was approved unanimously. Mr. Benson acknowledged and thanked former Sen. Williams for her service to the board. Former Sen. Williams expressed her gratitude for the recognition and thanked the Board for its work to make higher education more affordable for families. She then excused herself from the remainder of the meeting.

PROFESSIONAL SERVICES CONTRACT RENEWAL AND VOTE (FY22-10)

OTTA Executive Director Tim Gorrell introduced the next item on the agenda, the Professional Services Contract Renewal. If passed, this will allow OTTA to extend through renewal its contracts with the agency's consultants at NEPC, LLC; Wilshire Advisors, LLC (formerly Wilshire Associates Incorporated); and Milliman, Inc., for a five-year period, ending June 30, 2027. The recommended extension is permitted under the Board's Professional Services Policy. Mr. Gorrell shared that the three consultants all wish to continue their professional relationship with OTTA. Mr. Benson asked for a motion to approve Resolution FY 22-10. Mr. Elliot made the motion for approval of the renewal and Rep. Young seconded. A roll call vote was taken and the motion was carried unanimously. Mr. Gorrell thanked the Board members.

GUARANTEED SAVINGS PLAN ANNUAL INVESTMENT UPDATE

Craig Svendsen of NEPC spoke on the Q2 2022 Investment Performance of the CollegeAdvantage Guaranteed Plan, which has been closed to new accounts and new contributions as of Dec. 31, 2003. Mr. Svendsen shared that the Guaranteed Savings Plan (GSP) assets are \$157.6M. Even with negative return due to market turmoil, the GSP remains in good shape as it has the assets and securities to fund all remaining Guaranteed 529 accounts. Based on the Board's previous decisions to reduce the amount of equity risk in the program as well as creating the custom bond strategy, the GSP has natural liquidity and is in a good position regardless of market swings.

GUARANTEED SAVINGS PLAN ANNUAL PRESENTATION AND VOTE (FY22-08)

Alan Perry of Milliman spoke next on the GSP Actuarial Valuation. He shared that in 2022, the Weighted Average Tuition (WAT) rate increased 3.5% to \$119.16 for a tuition unit and \$137.30 for tuition credit. In FY 2022, the Guaranteed Savings Fund (GSF) investments were down 4.4%. Additionally, the GSF paid out \$26 million in benefits for the 2021-22 school year.

Earlier in the year, the Board left the tuition growth assumption at 4% and raised investment return assumption from 1.4% to 3.2%. Even with the market value decrease, the GSP is funded at 198%, up from 177% in 2021. Milliman's actuarial valuation of the forecasted GSP obligation is \$79.3 million. The current GSF market value is \$157.3 million. Cash flow projection shows that, in less than five years, there will be less than \$5 million in yearly payouts. Additionally, the last single tuition unit is projected to be used in 2050.

Rep. Young asked if WAT is determined by tuition only. Ms. Trisha Good said tuition and mandatory fees are included in WAT figure.

Mr. Benson explained to new board members that the Board's focus is the investment side of the CollegeAdvantage Direct and Advisor 529 Plans; however, the Board provides investment direction for the Guaranteed 529 Plan through establishment of investment policy and approval

of any investment changes. Ms. Yassenoff added that the Board would help determine if and when to officially end GSP, which will close without any Board involvement once the final payout is made, which is forecast to be around the year 2050.

Sen. Dale Martin asked further questions regarding the GSP funds. Discussion ensued. Ms. Rebecca Princehorn asked what the program is doing to encourage Guaranteed Plan account owners to use the funds available in their account. Mr. Charles See said that ODHE and OTTA have many strategies to connect to parents and their students in order to continue pursuing their higher education.

Mr. Benson asked for a motion to approve Resolution FY 22-08 (the actuarial valuation). Rep. Young made the motion to approve the resolution and Mr. Elliot seconded. A roll call vote was taken and the motion was carried unanimously.

GUARANTEED SAVINGS PLAN ANNUAL RECAP STATUS

Ms. Good expanded on the history of the GSP and OTTA's plans to encourage the Guaranteed Plan account owners to finish using their accounts. As of June 30, 2022, there are 9,199 remaining GSP Plan accounts. Of that number, 3,962 account owners have also opened Direct 529 Plan accounts and 515 have opened Advisor 529 accounts. Currently, there are 931 GSP accounts on hold. The majority are either tied to bad addresses for the accounts or to the deaths of the account owners, who did not set up a successor owner for the GSP.

Of the 9,199 remaining GSP accounts, 10.85% accounts contain credits, which are eligible to transfer to another beneficiary. 6.7% accounts contain units, which are eligible to transfer. The Ohio Revised Code (ORC) and Ohio Administration Code (OAC) contain language to allow for one "roll down" for each GSP account.

Mr. Benson asked if the funds in the GSP could be used for K-12 tuition. Ms. Yassenoff answered affirmatively.

Additionally, there is language in the OAC that requires transfers or payouts to GSP accounts with a beneficiary who is aged 28 or over. This same language also requires GSP account owners with five or fewer units or credits, with a beneficiary age 20 or older, and with no activity in their account within the last three years, to rollover or withdraw their balances. Ms. Good shared that OTTA will repeat the same process in November 2022.

Sen. Martin asked how the payout amounts are determined. Ms. Good noted that the payouts are based on the current year's WAT rate multiplied against the amount of units or credits in the account. Ms. Yassenoff added that the GSP payouts could be rolled over into an Ohio Direct 529 or Advisor 529 Plan. Discussion ensued.

ANNUAL PRESENTATION BY BLACKROCK

Joe DeVico, Managing Director of the National Wealth Manager Business at BlackRock, began his presentation by thanking the Board and OTTA for the continued partnership with BlackRock. Mr. DeVico introduced the BlackRock team present at the meeting: Mary Pat Roenbeck, Bill Dunigan, Danielle Sweeney, John Park, Mark DiSipio, and Alex Hirsch (via phone.) Ms. Sweeney is the new senior relationship manager, Mr. Park remains OTTA's relationship manager, and Mr. DiSipio is a sales leader.

Ms. Sweeney reviewed BlackRock's growth plan for Ohio's 529 Advisor Plan with three main pillars of sales/distribution; marketing; and investment management. Currently, BlackRock has 600 broker/dealers nationwide who can encourage savers to invest in Ohio's Advisor 529 Plan, as BlackRock fees are much lower than peers. Ohio is one of two advisor plans with bronze rating from Morningstar.

Mr. Dunigan shared that BlackRock's partnership with Edward Jones is flourishing in 529-plan sphere and that they are using BlackRock data analytics to identify additional 529 opportunities. At this point, Mr. Benson asked about BlackRock's ability to do workplace marketing and information sharing to prospective 529 customers. Discussion ensued.

Ms. Sweeney stated that Ohio's Advisor 529 Plan has doubled over 10 years and has the third best growth in assets in comparison with other state programs. The marketing strategy for 2022 includes greater outreach to high 529 users, and advisors in Ohio and 22 tax neutral states who are large users of other BlackRock products. BlackRock believes that their growing omnibus relationships with Edward Jones, Raymond James, Merrill Lynch, Ameriprise, and Fidelity Clearing will increase Ohio Advisor Plan account openings as omnibus is a simple way for advisors to invest in 529s with online openings and investment trades, all while using the same statement from the financial planner. Financial advisors can work directly with client on 529s and omnibus improves the experience for client and advisor. BlackRock is working with Schwab to go live with omnibus in 2022 to onboard Ohio Advisor 529 Plan. BlackRock is having ongoing conversations with LPL and Wells Fargo to include their firms under omnibus.

Mr. John Park added that BlackRock is a strong fiduciary, which helped Ohio's Advisor 529 Plan be rated one of only two bronze-rated advisor plans by Morningstar. The plan is very fee competitive with its blend of passive and active management. Currently, the fees for Ohio's Advisor 529 Plan are now lower than American Funds (Virginia's advisor-sold plan). Mr. Benson asked if Morningstar is overall against advisor plans. Mr. Park responded that advisor plans are at an automatic disadvantage in terms of rankings when reviewed alongside direct plans due to the higher fees charged in advisor plans. Mr. Benson followed up to ask if there is anything the Board could do to help grow the Ohio Advisor Plan. Ms. Sweeney said there are marketing plans in place to maximize outreach and hit different demographics.

Mr. Park discussed two upcoming fund exchanges, which will be effective on Sept. 30, 2022. These two funds have been underperforming and were carefully watched by BlackRock for multiple quarters. The funds will be replaced by two similar BlackRock products, which have lower expense ratios and higher overall Morningstar ratings. Ms. Yassenoff reminded the Board that these changes were voted on and approved at the Feb. 17, 2022, meeting.

Mr. Gorrell informed the board that OTTA is not currently inclined to add ESG (Environmental, Social, and Governance) funds in both plans' investment portfolios. However, the agency thought it would be wise to hear an informational presentation from BlackRock on their organization's view on ESG.

Alex Hirsch, via the phone, started with an overview of the two underpinnings for BlackRock's decisions on ESG. Since 2020, money has been flowing into ESG at a rate five times higher than most other markets. BlackRock believes that this growth will accelerate. Additionally, 70% of investors want more focus on sustainability. For example, additional electronic vehicle (EV) benefits were passed in recent federal legislation. Innovations will drive down costs of the ESG changes. Moreover, companies that are well positioned for sustainability transition will have lower costs in incorporating the ESG changes. These companies are releasing their data so

investors can explore more metrics on the business' behavior. BlackRock firmly believes in ESG investing.

Mr. Hirsh shared that that 529 plans – like Texas, Illinois, Oregon, Nebraska, Virginia, California and Connecticut – are offering ESG options in their investment line-up. Mr. Gorrell informed the board members that they can review the BlackRock pages on ESG in the board portal.

VARIABLE SAVINGS PLAN INVESTMENT UPDATE

Steve DiGirolamo of Wilshire spoke on quarterly investment performance of the Direct and Advisor plans. He began with an overview of the current market and the issues that are driving its volatility. Obviously, in Q2 2022, the markets turned down and it affected the plans' performances.

For the Direct Plan, Mr. DiGirolamo shared that inflation pressures are very strong right now and affecting the performance of all asset classes. The international markets fare slightly better but still saw double-digit losses. Therefore, OTTA will see losses in the Direct and Advisor 529 plans but Mr. DiGirolamo recommended focusing on the programs' long-term performance as it is still ranking well. Mr. Benson asked if there are any options on the watch list. Mr. DiGirolamo answered that there are none currently but Wilshire is keeping an eye on certain funds due to exposure to certain growth factors. For the Advantage Age-Based Portfolios (AABP), the funds closer to their enrollment dates fared better due to less equity in them. At the three-year mark, the returns are still positive. This quarter was the first time data is available for the Vanguard Ohio Target Enrollment Portfolios (TEP). As with the AABPs, the funds closer to their enrollment dates fared better due to equity in them.

For the Advisor Plan, Mr. DiGirolamo said inflation pressures are very strong right now and affecting the performance of all asset classes. Like the Direct Plan, at the three-year mark, the returns are still positive and the target date funds that are closer to the year of college enrollment fared better. Additionally, three individual BlackRock funds outperformed their benchmark for the quarter.

Overall, Mr. DiGirolamo said it was a mixed bag of performances but long-term performance is still strong. So far, in the third quarter 2022, markets are starting to recover. The actively managed portfolios are faring better because they can take advantage of market swing now.

EXECUTIVE DIRECTOR UPDATE

Mr. Gorrell began with the five-year review of the OAC 3334-01-03. Ms. Yassenoff recommended that there are no changes to rule as it contains the executive board delegated duties. Ms. Yassenoff then read the OAC 3334-01-03 to the board members. Mr. Benson asked for a motion to approve Resolution FY 22-09. Rep. Young made the motion and Ms. Princehorn seconded. A roll call vote was taken and the motion was carried unanimously.

Mr. Gorrell presented his agency report. Ohio remains the nation's seventh largest sponsor of 529 plans with the total Assets under Management (AUM) at \$14.38 billion as of June 30, 2022. Mr. Gorrell shared that this is the high-call-volume season for the customer service department as many account owners are making withdrawals to pay for the upcoming school year. Mr. Gorrell said that marketing department is focusing on a message of \$25 essentials to open an

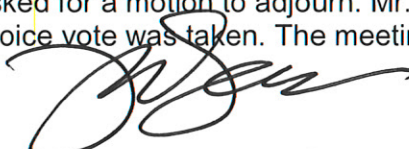
Ohio 529 account. Even with the ups and downs in the markets, Ohio 529 contributions are increasing.

The next board meeting is scheduled for Nov. 18, 2022, as listed in the Executive Director's memo.

Mr. Gorrell asked if there was any new business. Ms. Carissa Krane asked how OTTA was reaching out to parents during the back-to-school season. Mr. Ben Gibbons responded that the outreach includes a robust social strategy, as well as emails sent to current account owners as well as prospects. Mr. Gibbons stated that there is an additional emphasis being placed on outreach to grandparents. Mr. Gorrell also pointed out that OTTA produces many 529 educational blogs, and that the agency shares its institutional knowledge with the College Savings Plan Network (CSPN), which also republishes the agency's blogs.

Mr. Benson asked for a motion to adjourn. Mr. Elliott made the motion and Ms. Princehorn seconded. A voice vote was taken. The meeting adjourned at 12:22 p.m.

Signed by:



Print name: JAMES D. BENSON

Date: 11/17/22