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## Minutes of the Ohio Tuition Trust Authority Investment Board Regular Meeting

OTTA Investment Board Meeting – Thursday, August 16, 2023  
Room 1960, 77 South High St, Columbus, OH 43215

At 10:00 AM a quorum of the Investment Board was not present, so the group proceeded with a 529 Landscape update from Mr. Steve DiGirolamo.

### **CALL TO ORDER:** 10:02 AM

Chairman Jim Benson brought the meeting to order.

Ms. Nancy Braun conducted a roll call and announced a quorum of the Executive Committee Investment Board was present.

### **BOARD MEMBERS PRESENT:**

**Executive Investment Board Members:** James Benson, Charles See, William Elliott, Rebecca Princehorn.

**Ohio Tuition Trust Authority (OTTA) Staff:** Trisha Good, Executive Director; Dave Kemp, Director of Customer Service and Operations; Amy Manett, CFO; Shreekanth Chutkay, Director of Information Technology; Jeff Fogel, Assistant General Counsel ODHE; Mark Smith, OH-TECH; Yondris Ferguson, Legislative Aide, Senator Vernon Sykes; Nancy Braun, Board Secretary.

**Others present:** Alan Perry, Milliman; Stephen DiGirolamo, Wilshire; Craig Svendsen, NEPC (attended virtually).

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 18, 2023 and June 28, 2023 board meetings. There were none. Mr. Benson called for a vote to approve the minutes of both meetings. Mr. Bill Elliott made a motion to approve. Ms. Rebecca Princehorn seconded the motion. A voice vote was taken. The motion was unanimously approved.

## **GUARANTEED SAVINGS PLAN**

### **Investment Update**

Mr. Craig Svendsen of NEPC, OTTA's management and investment consultant firm, began the discussion of the Guaranteed Savings Plan (GSP) with the Q2 2023 Investment Performance Analysis.

For the fiscal year ending June 30, 2023, the plan assets stood at \$143.2M and the plan returned 2.2 percent for the year. There were no due diligence updates for the plan's managers during Q2. Staff, NEPC and Milliman have been discussing the actuarial return assumption for the GSP. To advance this discussion, NEPC has modeled the current asset allocation of the GSP using their June 30, 2022 capital market forecasts. The expected investment return for the GSP is 4.56% gross and 4.38%, net of fees.

The performance of the Loomis' custom treasury strategy, where the majority of GSP assets are invested, has been in-line with expectations. NEPC does not recommend any changes at this time.

Mr. Svendsen shared one new due diligence announcement this quarter concerning Loomis further defining roles within their group. This has no impact on OTTA, therefore no action is required. Discussion ensued.

### **Actuarial Valuation**

Mr. Alan Perry of Milliman spoke next on the annual actuarial valuation of the Guaranteed Savings Fund (resolution FY23-05).

Mr. Perry started by explaining that OTTA has selected 4.38 percent as the expected long-term annualized rate of return on the GSP investments. This is 1.18 percent higher than the 3.20 percent assumption used in last year's valuation. In addition, the agency selected a tuition growth assumption of 4.00 percent each year which is the same as the assumption used in last year's valuation.

The starting Market Value of Assets as of July 1, 2023 is \$142.8 million. Based on the actuarial assumptions the GSP is expected to have a cumulative actuarial reserve of \$280.8 million by 2052, when all credits and units are expected to have been redeemed.

Weighted average tuition for the 2023-2024 school year increased 4.0 percent from the previous year. This is equal to the assumed rate of 4.0% used to prepare the prior valuation. This had no change to the actuarial reserve.

Mr. Perry stated that the Guaranteed Savings Plan is very healthy. As of June 30, 2023, the Guaranteed Savings Plan has sufficient assets to cover the actuarially estimated value of the tuition and expense obligations under all credits and units outstanding as of that date.

Mr. Benson asked if there were any questions. There were no questions.

Mr. Benson called for a vote on resolution FY23-05. Mr. Charles See made the motion, which was seconded by Mr. Bill Elliott. A roll call vote was taken. The resolution passed unanimously.

Ms. Good provided an annual statistical update on the remaining participants in the Guaranteed Savings Plan as of June 30, 2023. She shared staff are working on cleaning up accounts that have been inactive and letters have been sent out to owners of these accounts, approximately 645, which total \$3.5 billion dollars in assets. Ms. Good discussed there will be a tax liability when closing these accounts. Mr. Benson asked if owners are able to convert funds to a Roth IRA and she responded yes.

### **VARIABLE SAVINGS PLAN INVESTMENT**

Mr. Steve DiGirolamo, Wilshire, provided an educational session to the board on the current 529 Landscape. Discussion regarding plan options and offerings in comparison to other states ensued. He then provided a brief overview of the quarterly performance of the Direct and Advisor Plans.

#### **Direct Plan Performance**

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. Equities have been positive and strong for quarter and 529 plans have done well so far this year. No concerns at this time.

#### **BlackRock Advisor Plan**

Mr. DiGirolamo next discussed the BlackRock Advisor Plan performance with the investment board. He stated all funds are performing well with no funds on watch at this time.

Ms. Good shared BlackRock is continuously reviewing industry trends, gathering advisor feedback, and ensuring they are offering high quality, low cost investment options and breadth of choice to end clients. During their most recent sales and investment review of CollegeAdvantage 529, they identified a few areas where the plan was not as competitive or attractive to end clients/advisors. College Advantage is currently ranked 11 of 32 for overall costs amongst advisor-sold plans and ranked 26 of 30 for upfront sales charge. These rankings were tied to a few trends by competitors and financial advisor preferences. Advisors and clients are trending away from C-share investments, towards fee-based investing and lower-cost strategies. The majority of advisors are asking for lower costs associated with their clients for 529 plan investments and 71% of 529 advisor-sold plans have reduced their maximum upfront sales charge to below 4% with 3.5% as the average and median maximize sales charge across all advisor sold plans.

With these trends and competitive insights, Ms. Good and Mr. DiGirolamo presented the board with a proposal from BlackRock to lower the initial sales charge for AShares in the Advisor Plan from a tiered structure (5.25%-3.00%) to a flat 3.00% for financial advisors. This change requires a consent vote (FY23-06) from the board. Discussion ensued. It was requested that BlackRock include this topic within their presentation at the November meeting. Mr. Bill Elliott made the motion. Ms. Rebecca Princehorn seconded. A roll call vote was taken. The motion passed unanimously.

**EXECUTIVE DIRECTOR UPDATE**

OTTA Executive Director Trisha Good started her report with the announcement that as of June 30<sup>th</sup>, 2023, Ohio remains the nation’s seventh largest sponsor of 529 plans with total Assets Under Management (AUM) at \$15.7 billion. Ohio’s change in AUM quarter over quarter, at an increase of 4.5%, matches the 529 industry average. A strong asset base makes it possible to keep administrative costs to a minimum as a percentage of assets. Ms. Good then shared that Ohio is also the nation’s seventh largest sponsor of a Direct Plan with \$9.5 billion in AUM and the fifth largest sponsor of an Advisor Plan with total AUM of \$6.2 billion.

Ms. Good will be attending the Morningstar 529 presentation in Chicago on September 26<sup>th</sup> and will share the information at the November board meeting.

Mr. Steve DiGirolamo and Ms. Good presented a review of the annual revenue modeling that was completed in spring 2023. They did not recommend any changes to the fee structure for the Direct or Advisor Plans, however wanted to review the process to provide the board with an overview on the assumptions used in the model and the output from the model.

Ms. Good introduced Amy Manett, CFO, who provided the annual financial update for CollegeAdvantage.

**LEGISLATIVE UPDATES**

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

**NEW BUSINESS**

No new business was presented.

**PUBLIC PARTICIPATION**

There was no public participation.

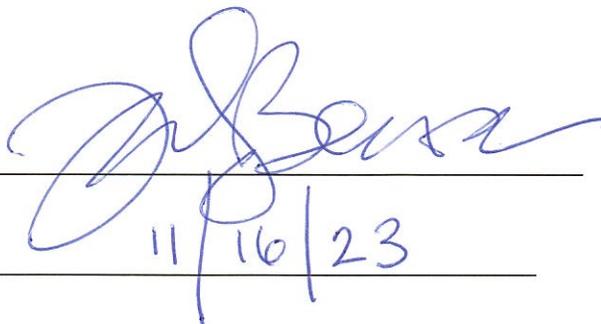
**ADJOURN**

Bill Elliott made a motion to adjourn the meeting. The motion was seconded by Charles See. A unanimous voice vote was taken. The meeting was adjourned at 11:45 a.m.

Signed by:

Print name: \_\_\_\_\_

Date: \_\_\_\_\_

Handwritten signature in blue ink, appearing to read "D. Benson". Below the signature, the date "11/16/23" is written in blue ink.