



Minutes of the Ohio Tuition Trust Authority Investment Board Regular Meeting

OTTA Investment Board Meeting – Thursday, November 12, 2020
Virtual Meeting via Webex due to COVID-19 pandemic teleworking policy

CALL TO ORDER: 10:00 a.m.

Mr. James Benson brought the meeting to order. Mr. Benson noted this was Representative John Rogers last board meeting and thanked him for his service.

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

BOARD MEMBERS PRESENT:

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

Legislative Investment Board Members: Representative John Rogers, Representative Jay Edwards, 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; Nancy Braun, Executive Administrative Assistant; Elizabeth Yassenoff, Legal Counsel

Others present: Jeff Fogel, Staff Attorney, Ohio Department of Higher Education; Stephen DiGirolamo, Wilshire; Todd Marti, Legal Counsel, Office of the Ohio Attorney General; Julia Ward, Scott Donaldson, and Christy Erickson, Vanguard; Andrea Ferstein and Diana Cantor, AKF Consulting

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 August 13, 2020, meeting. There were none. Mr. Benson called for a vote to approve the minutes. David Kosanovic made a motion to approve. The motion was seconded by Ann Womer Benjamin. A roll call vote was taken. The motion was approved.

DIRECT PLAN INVESTMENT POLICY and FY 21-01 RESOLUTION

Ms. Good highlighted changes to the Direct Plan Investment Policy. Ohio Tuition Trust Authority serves as the program manager for the CollegeAdvantage Direct 529 Savings Plan. The Direct Plan includes individual options from Vanguard and recently converted the Vanguard Federal Money Market Fund (across all affected options/portfolios) into the Interest Accumulation Portfolio. The Direct Plan includes one Age-Based Portfolio, the Advantage Age-Based Portfolio, of which Wilshire Associates Incorporated (“Wilshire”) serves as the discretionary manager and determines the Glidepath of this portfolio. The Glidepath has been updated to reflect adding the new 2040 Fund and retirement of the 2020 Fund into the Graduate Fund per the design of the option. Wilshire, OTTA’s investment consultant, reviewed the revised Direct Plan Investment Policy incorporating the changes into the revised policy. ResolutionFY21-01 recommends that the Direct Plan adopt the revised Direct Plan Investment Policy dated November 12, 2020. Mr. Benson called for a vote on resolution FY21-01. Representative Rogers made the motion to accept the resolution. Senator Williams seconded the motion. A voice vote was taken. The resolution passed unanimously.

BOARD RESPONSIBILITIES AND DUE DILIGENCE

Mr. Benson addressed previously discussed educational opportunities that might be helpful to the board. After attending the 529 Essentials Conference in 2019, Senator Williams recommended Andrea Feirstein, AKF Consulting, present on board responsibilities and due diligence. The board agreed bringing in outside presentations would help facilitate important discussions. Mr. Benson stated this is the first of several educational opportunities that will be presented to the board. Mr. Gorrell introduced Andrea Feirstein and Diana Cantor, AKF Consulting, who then led the board presentation on fiduciary and governance responsibilities.

VANGUARD TARGET ENROLLMENT PORTFOLIO PRESENTATION

Julia Ward, Senior Relationship Manager, Education Savings Group; Scott Donaldson, Senior Investment Strategist, Investment Strategy Group; and Christy Erickson, Head of State Relations, Education Savings Group, presented the new Vanguard Target Enrollment Portfolio. Ms. Ward shared that The Investment Strategy Group (“ISG”) and the Education Savings Group (“ESG”) have developed an alternative Target Enrollment Portfolio glide path for education savings goals (college, trade school, and K–12). This Target Enrollment Portfolio glide path would be an optional replacement to the three currently recommended risk tracks for the age-based portfolio. Mr. Donaldson shared that work on the progressive Glidepath over the last year has resulted in an age based Glidepath with more defined steps. He stated this is important because investors look to reward-risk payoff and the smoother the Glidepath is the better. Mr. Donaldson asked for questions. Mr. DiGirolamo asked for an explanation of the differentiation in models that were used. Mr. Donaldson explained the enhanced models count for shorter spend-down horizons and more stability. Mr. Benson confirmed with Mr. Gorrell that staff will continue to work on this and will report back to the board with an analysis at the next board meeting.

VARIABLE SAVINGS PLAN INVESTMENT UPDATE(Wilshire)

Mr. DiGirolamo began his presentation with an update on Wilshire organizational changes. Dennis Tito, founder and majority shareholder of Wilshire, will be retiring at the end of 2020. Jason Schwarz, Chief Operating Officer will become president of the firm as they transition to a strategic partnership with two private equity firms as majority shareholders.

Direct Plan Performance

Mr. DiGirolamo provided an update on the Direct Plan performance. He started by saying every fund showed positive returns with equities performing better than bonds during the quarter.

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. Despite the volatility of the market, all funds have shown a positive performance this quarter with 60% outperforming their peer universe median. He stated this quarter has shown overall good returns.

BlackRock Advisor Plan

Mr. DiGirolamo next discussed BlackRock Advisor Plan performance with the investment board. He stated all funds continue to outperform their peer universe median. Mr. Di Girolamo pointed out that the Blackrock Global Allocation fund has seen a nice bounce back in 2020 vs. its benchmark and peers as it is invested in stocks and bonds across the globe. Mr. DiGirolamo stated he is comfortable with all investments across both plans. Mr. Kirby asked for an explanation on equity asset allocation in the Blackrock Global Allocation fund. Mr. DiGirolamo stated the benchmark is a 60/40 balance. Mr. Kirby asked if that fell within the permissible range in our investment policy for equity allocation. Mr. DiGirolamo responded that it was in the permissible range. Mr. Benson asked if there were any funds on the watch list. Mr. DiGirolamo responded no. Mr. Benson then asked about asset allocation performance. Mr. DiGirolamo stated the economy is steadily improving with consumer and business spending up and markets coming back. Mr. Benson asked for questions and there were none.

EXECUTIVE DIRECTOR UPDATE

OTTA Executive Director Tim Gorrell started his report with the announcement that as of September 30th, 2020, Ohio is the nation's seventh largest sponsor of 529 plans with total Assets Under Management (AUM) at \$13.5 billion and over 654,000 accounts. Mr. Gorrell stated this shows our plans are attracting investors, investors are contributing more, and our funds are performing as expected; perhaps even better than expected noting the current environment.

He then shared that OTTA will remain in work from home status until May 28, 2021, therefore requiring our next two board meetings to remain virtual.

Mr. Gorrell introduced Elizabeth Yassenoff, who will be rejoining OTTA as In-House Counsel. He thanked Jeff Fogel who has been assisting OTTA in that position since November 2019, mentioning Jeff has been a tremendous asset in his work with the management team.

Mr. Gorrell shared Morningstar ratings were released and have been provided for review within the board packet. OTTA retained its Silver rating in the Direct Plan and its Bronze rating in the Advisor Plan. Morningstar utilizes Five Pillars in its ratings: Process, Parent, Price, People, and Performance. Mr. Gorrell stated OTTA received all positive ratings in all pillars which shows consistently year after year, we are a trusted agent for people to turn to for savings and investments after high school expenses.

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

Mr. Gorrell noted that the next two meetings would be virtual and referred board members to the schedule in the Executive Director's memo. There was no further discussion/comment on the Board meeting schedule

BLACKROCK CONTRACT UPDATE

Jeff Fogel provided an update on the Blackrock contract negotiations. He expects the finalized contract to be available for the February 2021 meeting. This will coincide perfectly with the existing Blackrock contract expiring in June 2021.

NEW BUSINESS

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

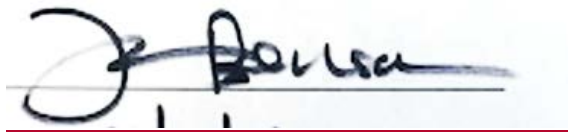
PUBLIC PARTICIPATION

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

ADJOURN

Ann Womer Benjamin made a motion to adjourn the meeting. The motion was seconded by Senator Williams. A unanimous voice vote was taken. The meeting was adjourned at 12:15 p.m.

Signed by:



Print name: James Benson

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Date: March 2, 2021