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

OTTA Investment Board Meeting – Thursday, November 16, 2023

James A. Rhodes State Office Tower, 30 E. Broad St., 18<sup>th</sup> Floor, Room 1865 Columbus, OH 43215

**CALL TO ORDER:** 10:00 AM

Chair Jim Benson brought the meeting to order.

Ms. Amy Lyle 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, Ann Womer Benjamin; William Elliott, Rebecca Princehorn, Charles See, and Mick Zwyer.

**Legislative Investment Board Members:** Representative Willis Blackshear.

**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; Yondris Ferguson, Legislative Aide, Senator Vernon Sykes; and Amy Lyle, Board Secretary.

**Others present:** Danielle Sweeney, BlackRock; John Park, BlackRock; Mark DiSipio, BlackRock; Jack Glass, BlackRock; Anthony Pecora, BlackRock; and Stephen DiGirolamo, Wilshire.

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. Jim Benson asked for any questions or comments on the OTTA Investment Board ("Board") minutes of the Aug. 16, 2023, board meeting. There were none. Mr. Benson called for a vote to approve the minutes. Mr. Bill Elliott made a motion to approve. Mr. Charles See seconded the motion. Ms. Ann Womer Benjamin abstained from the vote. A voice vote was taken. The motion was unanimously approved.

### **FIFTH THIRD CONTRACT RECOMMENDATION**

Executive Director Trisha Good introduced the contract recommendation and discussion of the continuation of the partnership with Fifth Third Bank. Ms. Good listed all the benefits for Ohio's 529 Plan customers receives through the Fifth Third partnership including FDIC-insured products, no customer fees, and competitive

savings and CD rates that are competitive with comparable products from competing banks. Fifth Third is a statewide marketing partner on 529 awareness campaigns and jointly hosted educational 529 webinars. Ms. Good then explained that OTTA recommends that the investment board take no action so that the evergreen contract will automatically roll over for an additional year. Mr. Steven DiGirolamo stated Wilshire strongly recommends the Board to continue the relationship and roll over the evergreen contract. The Board members took no action.

New Board member Mick Zwayer asked if Fifth Third representatives will present to the Board. Ms. Good said that Fifth Third regularly attends the annual May Board meeting. Discussion ensued.

### **BLACKROCK ANNUAL UPDATE**

Mr. Benson invited Ms. Danielle Sweeney to start BlackRock's presentation. Ms. Sweeney first thanked the Board and said that BlackRock appreciates its longstanding partnership with OTTA.

Ms. Sweeney then introduced the rest of the team-John Park, Mark DiSipio, Jack Glass, and Anthony Pecora-each of whom will speak on their area of expertise on four areas. Ms. Sweeney also noted that BlackRock will be recommending investment changes in their current 529 options line-up to lower costs so that the Board can decide whether to vote on it at this meeting.

1. **OTTA Business Review.** Mr. John Park covered the market overlook and outlook. Mr. Anthony Pecora spoke next on CollegeAdvantage Advisor Plan metrics. The Asset Under Management (AUM) is almost \$6 billion. The gross accounts added in Q3 2023 are 4,167 and 12,531 for the year to date. Mr. Pecora stressed the importance of omnibus, which removes friction for financial advisors to open and fund 529 accounts online. Mr. Park and Ms. Sweeney both stressed that there is a strong correlation between the omnibus status of partnerships and the growth that BlackRock is experiencing with the 529 plans. Mr. Mark DiSipio and Mr. Jack Glass discussed the success BlackRock has seen with the three sales and marketing campaigns, which highlight the many ways advisors' clients can use a 529 and the benefits for the advisors to promote 529s. These campaigns have resulted in a large lift in account assets. Discussion ensued.
2. **Top Advisor Plan Comparisons** Mr. Pecora started the conversation on the Ohio Advisor 529 Plan comparison, highlighting the fact that as Ohio's Advisor 529 Plan is one of the oldest in the country, most of the beneficiary base is either approaching enrollment, or in post college education. Around 43% of Ohio Advisor 529 Plan beneficiaries are 18 years or older, as compared to the industry average of 16%. Ohio's BlackRock CollegeAdvantage Advisor 529 Plan is ranked in the top three of number of accounts across all the 529 programs across the nation. Ohio's Advisor 529 Plan is also ranked fifth in the nation for AUM. Discussion ensued.
3. **A Shares Sales Charge Reduction:** Mr. Park shared that BlackRock looks to remain competitive in their fees by finding ways to reduce costs. He said that the majority of advisors are asking for lower costs associated with their clients for 529 plan investments. With these trends and competitive insights, BlackRock is recommending two ways to lower fees on CollegeAdvantage Advisor 529: a) Reducing the maximum sales charge to be more competitive with other state advisor sold plans. And b) including low-cost iShares to lower expense ratios and fill investment gaps in certain categories with low cost. With regard to the upfront sales charge, BlackRock proposes to lower their upfront sales charge from 5.25% to 3%. By reducing the CollegeAdvantage 529 sales charge, BlackRock and Ohio's Advisor 529 plan will continue to lead in quality, choice, and cost. Ohio's Advisor 529 plan would be one of eight programs with a maximum sales charge of 3% or less.
4. **Plan Lineup Recommendations:** Mr. DiSipio discussed the second BlackRock recommendation of introducing lower-cost investments that are not currently in the BlackRock CollegeAdvantage 529 Plan. Mr. DiSipio then outlined the new additions to the investment lineup as well as the replacements. Mr. DiSipio concluded that the OTTA Investment Board could vote on the investment option changes

today or at a future meeting if more discussion were needed. Mr. Benson said that with the information shared, he was comfortable with moving forward with the vote. Mr. Benson asked if there were any additional questions. Discussion ensued. Afterwards, Mr. Benson called for a vote on proposed resolution FY42-01 to accept the BlackRock line-up recommendations. Mr. Zwayer made a motion to approve. Mr. William Elliot seconded the motion. Mr. DiGirolamo added that Wilshire has approved of the investment line-up changes. A voice vote was taken. The resolution was unanimously approved.

## **VARIABLE SAVINGS PLAN INVESTMENT**

Ms. Good informed the board that Vanguard discovered a reporting error as they used a secondary benchmark, rather than the primary, during index reweighting of the AABP. It is a reporting error only and has no impact on the clients or performance.

Mr. DiGirolamo provided an educational session to the board on the current 529 Landscape. regarding the overall economic picture and consumer confidence. options and offerings in comparison to other states ensued. Discussion ensued. Mr. DiGirolamo 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. It was a mixed performance for the investment options, but everything aligned with expectations for the quarter.

### **BlackRock Advisor Plan**

Mr. DiGirolamo next discussed the BlackRock Advisor Plan performance with the investment board. He stated all funds are performing as expected as they mirrored what was happening in the economy. There are no major concerns about the current investment options. Mr. DiGirolamo shared that Wilshire believes the newly approved additional lower-cost funds will only improve the investment line-up.

Mr. Benson requested Mr. DiGirolamo to review the Fifth Third Banking Products comparison, specifically the competitor banking rates for the Board's edification. Discussion ensued.

## **EXECUTIVE DIRECTOR UPDATE**

Before presenting her Executive Director report, Ms. Good first thanked each board member for taking the time to meet with her individually as she reset her position in the agency. Ms. Good then started her report with the announcement that as of September 30<sup>th</sup>, 2023, Ohio remains the nation's seventh largest sponsor of 529 plans with total Assets Under Management (AUM) almost \$15 billion, which is 3.7% of the market share. Ohio's change in AUM quarter over quarter, at a decrease of 4.5%, which is slightly lower than the 529 industry average. Industry AUM increased year over year by 11.8%, slightly better than Ohio's year-over-year AUM change at 11.4%.

Ms. Good next shared that Ohio is also the nation's seventh largest sponsor of a Direct Plan with \$9.1 billion in AUM, which is 3.6% of overall market share. The growth rate quart-over-quarter and year-over-year is in alignment with the industry. Ohio is the fifth largest sponsor of an Advisor Plan with total AUM of nearly \$6 billion, which is a little more than 3.8% of market share. The growth rate quart-over-quarter and year-over-year is in alignment with the industry.

As previously discussed by BlackRock, the Morningstar presentation went well, and the agency is pleased to retain its Silver ranking for the 11<sup>th</sup> year. The advisor plan retained its Bronze rating. The agency will continue to push for next level but are pleased to maintain rankings. Ohio's Direct 529 has four positive pillars and Advisor plans have three positive pillars and one negative on price; however, the advisors fees will be lower for the next review. Ms. Good asked if there were any questions. Discussion ensued.



Ms. Good finished by sharing that OTTA's focus for next few months will be on the 2042-43 Vanguard Ohio TEP elevation and the 2020-21 TEP retirement to Commencement fund conversion. The agency will repeat the exercise in the summer of 2024 for the new 2044-45 AABP fund and the rollover of the 2024-25 AABP Fund To the Graduate Fund. Starting Jan. 1, 2024, the agency will be ready to support 529-to-Roth rollovers.

**Legislative updates**

Mr. Jeff Fogle spoke on the upcoming 529-to-Roth IRA rollover, which will become a tax-free and penalty-free withdrawal as of January 1, 2024. Currently, there's a lack of clear guidance from the federal government but OTTA is moving forward with its preparations based on industry-collective understanding and language.

Upcoming legislation of interest for the Board is House Bill 257 was introduced, which will allow meetings to be held virtually instead of person. All policies will remain the same. House Bill 125, which would raise the state income tax deduction for contributions to Ohio's 529 Plan, is still in same place.

Next, Ms. Good shared that OTTA is currently scheduling their due diligence meetings with Vanguard, BlackRock, and Fifth Third Bank for 2024.

Ms. Good also noted that Guaranteed 529 Plan targeted communications were sent to the account owners with beneficiaries 28 and older and those with small account balances in September. In spring 2024, a new communication will be sent to Guaranteed account owners on rolling over the Guaranteed accounts to another 529 plan without any tax consequences and the 529-to-Roth IRA rollover.

**Financial update**

OTTA CFO Amy Manett reviewed the items not previously covered. She shared that as of September 30, 2023, there are 6.543 remaining Guaranteed accounts with a tuition liability of \$58 million. The Guaranteed Plan is funded at 238% of its actuarial value. An additional 600 Guaranteed accounts are expected to be cleared by the end of November as the result of the annual 28 and older/small balance mailings. The agency received all positive audit reports for the three 529 plans from independent auditors. The audits do include the sampling of customer accounts and transaction testing to ensure compliance with 529 regulations.

**NEW BUSINESS**

Ms. Princehorn requested that calendar invitations to be sent out for the 2024 OTTA Investment Board meetings. Discussion ensued.

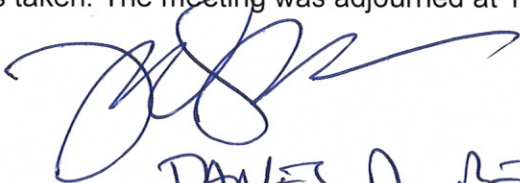
**PUBLIC PARTICIPATION**

There was no public participation.

**ADJOURN**

Mr. Elliott made a motion to adjourn the meeting. The motion was seconded by Ms. Princehorn. A unanimous voice vote was taken. The meeting was adjourned at 12:23 p.m.

Signed by:



Print name: JAMES D. BENSON

Date: 5/16/24