



Minutes of the Ohio Tuition Trust Authority Investment Board Regular Meeting

OTTA Investment Board Meeting – Thursday, November 17th, 2022
Room 1932, 77 South High St, Columbus, OH 43215

CALL TO ORDER: 9:58 AM

Chairman Jim Benson brought the meeting to order.

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

BOARD MEMBERS PRESENT:

Executive Investment Board Members: Jim Benson, Carissa Krane, Ann Womer Benjamin, Bill Elliott, Rebecca Princehorn.

Legislative Investment Board Members: Senator Jerry Cirino.

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; Jeff Fogel, General Counsel; Nancy Braun, Executive Administrative Assistant; Mark Smith, OH-TECH.

Others present: Steven DiGirolamo, Wilshire; Jeff Antonacci, Dimensional Fund Advisors (DFA); Wan Kim, DFA; Ashish Bhagwanjee, DFA; Doug Byrkit, DFA; Dan Beck, Fifth Third; Steve Dinan, Fifth Third.

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 minutes of the August 18, 2022, meeting. There were none. Mr. Benson called for a vote to approve the minutes. Mr. Elliott made a motion to approve. The motion was seconded by Ms. Princehorn. A voice vote was taken. Senator Cirino and Ann Womer Benjamin abstained. The motion was approved.

DIMENSIONAL FUND ADVISORS (DFA) ANNUAL UPDATE

Director Gorrell provided the board with background on OTTA's partnership with Dimensional Fund Advisors (DFA) and introduced Jeff Antonacci, CFA, Regional Director and Vice President. Mr. Antonacci began the presentation by introducing his team and sharing that DFA is a large global asset manager with a unique understanding of how markets work and maintains one of the best track records in the industry. Mr. Doug Byrkit shared where DFA is in the current 529 space and Mr. Wan Kim shared DFA's role and philosophy in the fixed income market adding that DFA are experts with well over a 10 year track record at extracting information to bring to portfolios. Senator Cirino asked if there were other ratings criteria used and Mr. Kim responded that DFA uses the Bloomberg US Aggregate Benchmark. Discussion ensued. Mr. Ashish Bhagwanjee presented on portfolio structures specifically the World ex US Core Equity Portfolio & Global Real Estate Securities Portfolio. He explained the foundation of portfolio structure is based on company size, relative price, and profitability using many inputs to inform how DFA designs and manages portfolios. Mr. Benson asked about performance of international funds and Mr. Bhagwanjee stated DFA continues to get good information regarding those funds and continues to monitor. Mr. Benson asked if there were compliance issues to report and there were none.

Mr. Steve DiGirolamo asked Mr. Antonacci to explain ESG (E=Environmental, S=Social, G=Governance) Investing and what it means to the investment process. Mr. Antonacci stated that as fiduciaries, the board should ask four questions regarding ESG investments. Does this help improve return? Does this manage risk? Does this have real world impact? Does this contain values that will impact your investment program? He stated at this time the data evidence is mixed on answers to these questions. Mr. Benson asked how DFA develops exclusions in sustainability portfolios. Discussion ensued. Senator Cirino stated this becomes an area of confusion particularly in pension funds and should not take precedence over returns. Mr. Antonacci explained most fiduciaries have not put ESG into their pension funds. He shared the importance of governance across all portfolios because that is what drives returns. Senator Cirino asked for DFA's view on utilization of proxies as it relates to determine corporate governance decisions. Mr. Antonacci explained that DFA evaluates proxies on their own and engages with portfolio companies. Senator Cirino requested Mr. Antonacci forward information regarding proxy voting process. Discussion ensued.

FIFTH THIRD ANNUAL UPDATE

Dan Beck, VP Product Line Manager with Fifth Third began his update by introducing Ben Mendelsohn, SVP Director of Product Management; and Steve Dinan, VP Principal Business Analyst. Mr. Beck stated the team focus at Fifth Third continues to be on keeping the customer at the center. Mr. Gorrell stated the value of OTTA's partnerships with Fifth Third shows in the opportunities that are provided to share information. CollegeAdvantage banking option rates are competitive with regional banks per our contract and continue to be very well positioned. Rate trends show promo CD pricing in the second half of 2022 has followed the Federal Funds movement. The current Fifth Third rate forecast has Federal Funds climbing to 5.00% by June 2023, then a slight drop by December 2023. Fifth Third's 529 Savings and CD rates are benchmarked against Ohio traditional bank peers, as well as other 529 offerings. The benchmark for 529 CD rates are competitor promotional rates and Fifth Third will typically have one or more promotional rates at designated terms. Fifth Third 529 Savings rates are benchmarked to competitor base savings rates and will vary by balance. Senator Cirino asked if Fifth Third is taking a stance against ESG issues. Mr. Beck said he will get an answer to the

question and forward it to Ms. Good. Mr. Benson asked why Fifth Third was higher on rates and Mr. Dinan shared that in Ohio the twelve month CD rate is a rated rate amongst peer competitors. Mr. Benson asked what the promo rate meant. Mr. Dinan responded that it is a promotional rate offered to any customer. Mr. Beck responded that the 529 portfolio allows them to do more than with the general consumer because they know what the 529 customer wants as an end result. There were no further questions.

VARIABLE SAVINGS PLAN INVESTMENT UPDATE (WILSHIRE)

Direct Plan Performance

Mr. DiGirolamo of Wilshire provided an update on the Direct Plan performance. He started by saying this is a challenging time in the market. He explained the first half of the quarter saw a strong labor market and equity markets up with the second half of the quarter showing a dramatic change correlating with federal rate increases. 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 show negative performance for the quarter with bonds outperforming equities. Most are in line with their peer groups and show nothing surprising. The US Growth Fund had a fairly good performance, however, the volatility of the market place was reflected in the index funds.

Advisor Sold Plans Performance

Mr. DiGirolamo shared that as of today there were no funds to put on watch. Mr. Benson referred to some of the BlackRock funds asking if it is common that they are invested in other BlackRock funds. Mr. DiGirolamo stated that this is just operational procedure. Mr. Benson asked if a fund is put on a watch list if it underperforms for a 1, 3, and 5 year period. Mr. DiGirolamo stated that they do keep track of underperforming funds but it is important to understand why they are underperforming before putting them on a watch list. Mr. Elliott shared that the VOYA fund's underperformance has come up in the past. Mr. DiGirolamo stated the VOYA fund has been replaced with another due to poor performance. Mr. DiGirolamo concluded his presentation by sharing that Wilshire continues to take a long term look into inflation and federal rate activity to account for both within portfolio balanced equities. Mr. Benson asked for further questions. There were none.

EXECUTIVE DIRECTOR UPDATE

Director Gorrell began his update with Ms. Good reporting on the recent Morningstar meeting. Ms. Good shared the meeting was held in Chicago on September 30, 2022 with the following people in attendance: OTTA (Trisha Good), Wilshire (Steve DiGirolamo), BlackRock (Danielle Sweeney (Director, US Wealth Advisory's National Accounts), John Park (VP USWA Nat'l Accts), Anthony Pecora (Associate USWA Nat'l Accts), Simon Rafferty (Director, Multi-Asset Strategies & Solutions), Daniel Felder (Director, Global Tactical Asset Allocation), and Charles Stoltze (VP, Multi-Asset Strategies & Solutions). Ms. Good shared that OTTA was positive in the four pillars used for evaluation: Parent, People, Process, and Price. The presentation was interactive with focus on parent/board oversight of the plan (board member turnover, vacant seat filling process, board qualifications). In addition, questions were asked in regard to changes to OTTA's organizational chart. Investment questions included OTTA's understanding of the AABP and Target Enrollment Portfolio: making sure we understood the glidepath changes, frequency and guardrails for rebalancing. Of the fifty-four plans evaluated only two earned gold ratings. Ms. Good and Mr. DiGirolamo shared it was a good meeting. The entire briefing is included in the board packet for reference. Mr. Benson stated the board appreciates

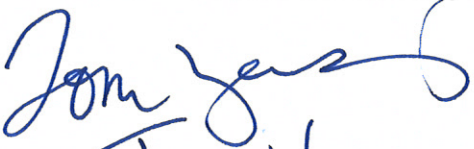
the effort into putting this together and did not find anything of concern in the report. He asked if OTTA's organization structure being different than other 529's by falling under the Department of Higher Education was questioned. Ms. Good stated that changes in government do not impact OTTA due to bipartisanship. There were no additional questions.

Director Gorrell continued his update by sharing the importance of the customer service experience and the challenge in hiring qualified candidates for the high call volume (HCV) team. Our customer service representatives continue to have a 99 percent answer and service rate and are working very well within their current environment. Director Gorrell stated the IT team works daily on threat assessments. He also addressed the importance of getting people across the finish line with current promotional products. He then asked Ben Gibbons, OTTA Director of Marketing, to share the annual marketing update. Mr. Gibbons shared that enrollment growth is down from last fiscal year, however, new contributions were up. Ms. Princehorn asked if OTTA was getting inquiries about using 529's for credentials as opposed to a four-year degree. Mr. Gibbons stated OTTA is mindful of perceptions with student loan debt, so this becomes a new piece of flexibility. OTTA emphasizes the affordability of our plan – only \$25 to open – and focuses on grandparents and timing for tax benefits. OTTA utilizes a number of different partnerships through competitively bid contracts which put us in front of kids and parents as we provide support for different competitions. There were no further questions.

Mr. Fogel provided a legislative update stating that we are currently following industry advocacy efforts aimed at passing language to allow limited 529 funds to be rolled over into Roth IRAs under certain circumstances. This would most likely be as an amendment into the pending EARN Act, which could happen prior to years end. Mr. Fogel reminded the board that ethics training completion certificates must be submitted to Ms. Yassenoff or himself by December 15. He shared that each November, notice is provided to the Board regarding the current contract with Fifth Third. This contract automatically renews on an annual basis unless OTTA provides 6 months' notice of cancellation by March 1 each year. At this time, OTTA staff recommends allowing the contract to renew for another year.

Director Gorrell reminded the board the next meeting will be on February 16, 2023. He is hopeful to have the remaining board vacancy filled by that meeting date. Mr. Benson requested that the board packet be reduced in size. Mr. Gorrell stated it is difficult to determine who desires what information. Ms. Princehorn asked if there is a way to determine how people are using their 529 funds as it would be good information. Senator Cirino agreed. Director Gorrell stated we can try to pull that information but it is difficult to refine.

Mr. Benson asked for a motion to adjourn. Senator Cirino made the motion and Mr. Elliott seconded. A voice vote was taken. The meeting adjourned at 12:19 PM.

Signed by: 
Print name: Tom Young
Date: 5-18-2023