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

OTTA Investment Board Meeting – Thursday, May 16, 2023  
Verne Riffe Center, 77 S. High St., 19<sup>th</sup> Floor, Room 1960, 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, Michelle Chavanne, Ann Womer Benjamin, Rebecca Princehorn, and Mick Zwyer.

**Legislative Investment Board Members:** Senator Vernon Sykes.

**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; and Amy Lyle, Board Secretary.

**Others present:** Julia Ward, Vanguard; Vytas Maciulis, Vanguard; and Stephen DiGirolamo, Wilshire. Craig Svendsen of NEPC and Christy Miller of Vanguard attended remotely via Teams.

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 Nov. 16, 2023, board meeting. There were none. Mr. Benson called for a vote to approve the minutes. Mr. Mick Zwyer made a motion to approve. Ms. Michelle Chavanne seconded the motion. A voice vote was taken. The motion was unanimously approved.

### **EXECUTIVE DIRECTOR AGENDA AND MEETING OVERVIEW**

Executive Director Trisha Good shared the agenda, starting with recognition of service of Board members who have rolled off – Rep. Tom Young and William Elliott. Jeff Fogel will discuss that Ohio Administrative Code rules will require a slight tweak for the Guaranteed Plan participants to use the new 529-to-Roth IRA benefit. Ms. Good stated that the Board will need to vote on the Guaranteed Savings Plan (“GSP”) tuition inflation assumption and investment return calculations. Vanguard representatives will share their annual update and

Mr. Steven DiGirolamo will discuss the current market and share Wilshire updates on the Direct Plan and BlackRock Advisor Plan performances. Ms. Good will follow with a report on the 529 industry, the agency's 2024 goals and objectives. Ms. Amy Manett will cover the program's quarterly financial update and Mr. Jeff Fogel will share any legislative updates.

### **RECOGNITION FOR BOARD MEMBERS**

Mr. Fogel read the two resolutions honoring Rep. Tom Young and William Elliott for their exceptional service to their respective industries, communities, and the Board. Mr. Benson called for a motion for Resolutions FY24-02 and FY24-03. Ms. Anne Womer Benjamin made a motion to approve. Ms. Michelle Chavanne seconded the motion. A voice vote was taken. The two resolutions were unanimously approved.

### **OAC RULES CHANGE TO ALLOW ROTH IRA ROLLOVER FOR GUARANTEED PLAN PARTICIPANTS**

Mr. Fogel then informed the board that the current Ohio Administrative Code (OAC) does not allow for Guarantee Plan participants to use the new 529 benefit of rolling over leftover 529 funds in a Roth IRA for the same beneficiary. If the Board votes to approve the changes to the OAC which will mirror the federal language, then Mr. Fogel will submit it to the Joint Committee on Agency Rule Review (JCARR). After ten business days, the amendment will go into effect. Discussion ensued. Mr. Benson called for a motion for Resolution FY24-04. Ms. Chavanne made a motion to approve. Ms. Womer Benjamin seconded the motion. A roll call vote was taken. The motion passed unanimously.

### **GUARANTEED SAVINGS PLAN ACTUARIAL VALUATION ASSUMPTIONS**

Ms. Amy Mannett began that OTTA engages Milliman, the agency's actuarial consultant, to provide an annual actuarial valuation of the financial position of the Guaranteed Savings Plan (GSP). To provide Milliman with the tuition inflation and investment return assumptions to be used in their assessment, OTTA is asking the Board to approve the recommendation of keeping the tuition inflation assumption at 4.00%. Ohio Department of Higher education (ODHE) has reviewed and agrees with the 4.00% assumption. Discussion ensued.

Mr. Craig Svendsen of NEPC then discussed the performance of the GSP. For the year ending March 31, 2024, the plan returned 5.00%, which is in-line with expectations. As of Dec. 31, 2023, the GSP has \$137.1M Assets Under Management (AUM). The current tuition liability is \$53M. Discussion ensued. Mr. Benson called for a motion to approve Resolution FY24-05. Ms. Chavanne made a motion to approve. Ms. Rebecca Princehorn seconded the motion. A roll call vote was taken. The motion passed unanimously.

### **VANGUARD ANNUAL INVESTMENT UPDATE**

Ms. Julia Ward, Senior Relationship Manager, thanked the board and introduced herself, Mr. Vytas Maciulis, Investment Strategy Group Economist, and Ms. Christy Miller, Senior Manager of State Relations, who was attending virtually. Ms. Miller thanked OTTA for the valuable partnership and then announced that Vanguard will have a new CEO, Salim Ramji, starting July 8, 2024. He will maintain Vanguard's mission and evolve company strategy.

Ms. Ward shared that Vanguard supports 44 529 plans nationwide with \$175B Assets Under Management ("AUM"). A majority of 529 programs that partner with Vanguard have converted to Target Enrollment Portfolios (TEPs). Ms. Ward also stated that most clients have stayed the course with their 529 savings during market volatility and inflation. She next shared research that shows that 529 clients who participate in Automatic Investment Plans (AIPs) have a greater chance of reaching their savings goals. This year, Vanguard will research how many clients are using 529s for K-12 tuition savings, how they are doing it, and if TEPs are appropriate for them. Additionally, Vanguard will investigate the 529-to-Roth IRA rollovers and how clients are participating with this new 529 benefit. Discussion ensued. Mr. Benson asked if there are any regulatory concerns that the Board should consider. Ms. Ward said that there was nothing on a state and federal level.

Vanguard has no recommended changes to 529 glide path or portfolios after running quantitative and qualitative processes testing. Vanguard also reviewed the Ohio 529 line-up of individual investment options. As

Ohio's 529 Plan covers most asset categories, they have no additional recommendations. Glidepath performance had positive returns across the board and on track with benchmarks.

Next, Mr. Vytas Maciulis discussed Vanguard's market and economic outlook for 2024. The global market was more robust than expected in 2023 and the U.S. economic resiliency is expected to continue in 2024. Vanguard expects the growth to slow down. Consumer spending is strong with strong wages and job growth, so inflation remains high. Vanguard expects the Federal Reserve to cut interest rates more in 2025. With the interest rates remaining high, this will benefit 529 savers in more conservative investment options. Discussion ensued. Mr. Maciulis then reviewed Vanguard's simulations on how international equalities, U.S. equalities, fixed incomes, and bond will perform in the next year as well as their 10-year asset class return expectations. Mr. DiGirolamo stated that Wilshire models are seeing the same thing as Vanguard. Discussion ensued.

## **WILSHIRE QUARTERLY UPDATE**

### **Direct Plan Performance**

Mr. DiGirolamo shared that Wilshire's findings mirrored Vanguard's for first quarter of the year. He then walked the Board through the performance for each broad asset class. Discussion ensued. Next, Mr. DiGirolamo discussed the investment performance charts for the enrollment-date funds, age-based funds, risk-based funds, and individual funds. The performances were in line with Wilshire's expectations for the quarter. Like Vanguard, Wilshire does not have any recommendations for changes to the current Ohio 529 investment options line-up. Discussion ensued.

### **BlackRock Advisor Plan**

Mr. DiGirolamo next discussed the BlackRock Advisor Plan performance with the Board. He stated all funds are performing as expected as they reflected what was happening in the economy. The actively managed funds performed well. There are no major concerns about the program and current investment options.

## **EXECUTIVE DIRECTOR UPDATE**

Ms. Good shared that Ohio remains the nation's seventh largest state sponsor of 529 plans with an all-time high total AUM of \$17.2 billion as of March 31, 2024, which is an increase of 14.7% year over year. Discussion ensued.

Ohio is also the nation's seventh largest sponsor of a Direct Plan with \$10.55 billion in AUM as of March 31, 2024, which is 3.6% of overall market share. Ohio's change in AUM year over year, at an increase of 16.8%, matches the industry average. Ohio is the fifth largest sponsor of an Advisor Plan with total AUM of nearly \$6.6 billion as of March 31, 2024, which is 3.7% of market share. The Advisor Plan change in AUM year over year was an increase of 11.4%.

As Ohio's 529 Plan is one of the original 529 programs, there is always a need to fill the "leaky bucket" as the first generation rolls out of the program and the next generation rolls in. Therefore, Ms. Good reminded the Board of OTTA's ongoing goals of growing the new accounts and new contributions of 5% for the Direct Plan and 3% for the Advisor Plan. OTTA will continue to give the best customer service in the industry for all Ohio 529 account owners and look for special considerations for the remaining Guaranteed Plan account owners. For the upcoming quarter, OTTA and Wilshire will roll out the 2044-45 AABP fund and roll over the 2024-25 AABP fund to the Graduate Fund. It's also the start of audit season. OTTA will calculate the Weighted Average Tuition (WAT) for the Guaranteed Plan account owners. Also, OTTA will working out the 28 and over as well as the small balance letters project for the GSP. OTTA is drawing up its biennial budget. Customer Service Department is preparing for the start of high call volume season. Ms. Good introduced Tiffany James, the new agency Human Capital Management Senior Analyst, to the Board.

### **Financial update**

Ms. Amy Manett shared that Direct Plan Contributions outpaced the Advisor Plan with a 9.9% increase, as the Advisor Plan had a 4.2% increase. Distributions increased 16.4% for the Direct Plan and 4.9% for the Advisor

Plan. This was the first quarter that the 529-to-Roth IRA rollovers were available. There was a very low percentage of account owners taking advantage of this new 529 benefit, with more Direct Plan account owners using it than Advisor Plan account owners. OTTA works with Wilshire annually for revenue modeling to verify that our current fee structure is sound. Currently, OTTA does not recommend any fee changes as there are sufficient cash reserves and assets to cover operating expenses.

**Legislative updates**

Mr. Jeff Fogle stated that there was no legislative news to share. He thanked the Board for completing their paperwork for their annual Financial Disclosure Statements.

**NEW BUSINESS**

There was no new business.

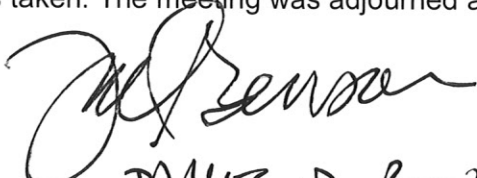
**PUBLIC PARTICIPATION**

There was no public participation.

**ADJOURN**

Mr. Zwyer made a motion to adjourn the meeting. Ms. Womer Benjamin seconded the motion. A unanimous voice vote was taken. The meeting was adjourned at 11:41 a.m.

Signed by:



Print name: JAMES D. BENSON

Date: 8/15/24