



Minutes of the Ohio Tuition Trust Authority Investment Board Regular Meeting

OTTA Investment Board Meeting – Thursday, August 16, 2018
77 S. High Street, 31st Floor, West B/C, Columbus, Ohio 43215

CALL TO ORDER: 10:05 a.m.

Ms. Rebecca Schell conducted a roll call and announced a quorum was present.

BOARD MEMBERS PRESENT:

Executive Investment Board Members: Ann Womer Benjamin, William Elliott, Jack Green, Matthew Kirby, David Kosanovic and Charles See

Legislative Investment Board Members: Representative Michael Duffey, Senator Stephanie Kunze, and Representative John Rogers

Ohio Tuition Trust Authority (OTTA) Staff: Tim Gorrell, Executive Director; Trisha Good, CFO/CIO; Shreekanth Chutkay, IT & Data Manager; Ben Gibbons, Director of Marketing; Dave Kemp, Director of Customer Service and Operations; Rebecca Schell, Board Secretary; Judy Cunningham, Community Outreach and Public Relations Manager and Mark Smith, OH-Tech

Others present: David Lindberg, Wilshire; Stephen DiGirolamo, Wilshire; Craig Svendsen, NEPC; Alan Perry, Milliman; Michelle Chavanne, Legal Counsel, Ohio Department of Higher Education and Lisa Critser, Legal Counsel, Office of the Ohio Attorney General

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

Representative Michael Duffey asked for any questions or comments on the OTTA Investment Board minutes of the May 17, 2018, regular board meeting. Ms. Ann Womer Benjamin requested a correction to her last name in the minutes (Womer Benjamin). Representative Duffey called for a vote to approve the minutes with noted correction. A voice vote was taken. The motion was approved.

EXECUTIVE DIRECTOR UPDATE

Executive Director Tim Gorrell welcomed board members and noted that there are three (3) voting items on the meeting agenda. Mr. Gorrell stated that Ohio's 529 plan currently has overall customer assets of \$11.6 billion. He added that OTTA's strong asset base is a result of a number of factors including OTTA's strong marketing efforts.

Mr. Gorrell shared, via the board portal, an outline and summary of the OTTA Investment Board's duties and responsibilities as prescribed by Ohio Revised Code (ORC). Mr. Gorrell emphasized that all board meeting agendas and voting items are aligned to the duties and responsibilities as outlined in ORC.

Alan Perry of Milliman provided background for the Guaranteed Savings Plan (GSP) Actual Valuation FY18-07 voting item. He stated that the actuarial valuation determined that the GSP is financially sound. Using the OTTA tuition growth assumption of 5.5 percent each year and a 3.5 percent expected annualized rate of return, the valuation reserve as of June 30, 2018 is \$63.5 million (131 percent funded). Mr. Perry concluded by stating that the fund has reduced its equity exposure during FY18 and that additional de-risking may occur as warranted.

Representative Duffey shared with the board that of the 14 public institutions of higher education (IHE) in Ohio, 12 are members of the "OHIO Guarantee" cohort and within two years every public IHE will join the cohort.

Representative Duffey called for a vote to approve the Guaranteed Savings Plan Actuarial Valuation FY18-07. Representative Rogers made a motion to approve. The motion was seconded by Mr. Kosanovic. A roll call vote was taken. The motion was approved.

Mr. Gorrell introduced the Variable Fund Cash Reserve Policy FY18-08 voting item by stating that OTTA has consulted with AKF Consulting and Schneider Downs in developing the cash reserve policy presented for approval. Based on this input and other research, OTTA has determined that a two year reserve is appropriate. OTTA will review the revenue and cash forecast models annually to determine if any changes are necessary to maintain sufficient cash balances for the Variable Savings Plans.

Representative Duffey asked if there were any comments or questions. There were none.

Representative Duffey called for a vote to approve the Variable Fund Cash Reserve Policy FY18-08. Senator Kunze made a motion to approve. The motion was seconded by Representative Rogers. A roll call vote was taken. The motion was approved.

Mr. Gorrell opened discussion on the Variable Fund Revenue FY 18-09 voting item. He explained that based on research and consultation with Wilshire as well as the board's input, OTTA recommends reducing Advisor Plan customer total fees from 14 (12 revenue share + 2 customer basis points) to 7 basis points effective as soon as operationally feasible. The Direct Plan customer fees of 2 basis points would remain in effect.

Ms. Trisha Good noted that various revenue and cash forecast models developed by both OTTA and Wilshire were tested. OTTA will review and update the models annually to determine if any changes are necessary and report those findings to the board.

Representative Duffey asked if there were any comments or questions. There were none.

Representative Duffey called for a vote to approve Variable Fund Revenue FY18-09. Senator Kunze made a motion to approve. The motion was seconded by Ms. Womer Benjamin. A roll call vote was taken. The motion was approved.

GUARANTEED SAVINGS PLAN INVESTMENT

Mr. Craig Svendsen of NEPC gave an update on the Guaranteed Savings Plan (GSP). The plan assets are at \$269.2 million as of June 30, 2018. The plan returned -0.4 percent during the quarter and 3.5 percent over the last one-year period. There are no manager announcements this quarter.

Mr. Svendsen shared that the "immunization strategy" implemented recently reflects the 12 percent equity exposure in the fund. The immunization strategy invests in Treasuries only with maturity dates that closely match the expected tuition payments of the GSF. He added that there may be additional de-risking strategies in the future and that the GSF fund, in general, is very healthy. Mr. Svendsen noted some of the negative return ratios are a result of moving assets to non-US investments and that PIMCO remains on "Watch" status for organizational issues.

Representative Duffey asked if there were any comments or questions. There were none.

VARIABLE SAVINGS PLAN INVESTMENT UPDATE

Direct Plan Performance

Mr. Stephen DiGirolamo of Wilshire provided an update on the Direct Plan performance. For the quarter, 54 percent of age-based options ranked in the top half of their respective 529 peer universes; 61 percent of risk-based and individual fund options ranked in the top half of their respective peer universes and 33 percent of total funds ranked in the top half of their respective peer universes.

Mr. DiGirolamo stated that over a one-year period 54 percent of Direct Plan age-based options ranked in the top half of their respective 529 peer universes while 67 percent of risk-based and individual fund options ranked in the top half of their respective peer universes and 35 percent of total funds ranked in the top half of their respective peer universes.

Mr. DiGirolamo added that all funds in the Direct Plan are in "No Action is Required" status. Since the age-based portfolios were launched in May 2018, it will take some time to build out performance history for those portfolio affected.

Fifth Third Rate Update

The board was informed that Fifth Third Bank's CD terms offer a competitive interest rate that provides a premium over similar financial institutions in Ohio. On August 13, 2018 Fifth Third increased its CollegeAdvantage CD rate from 1.5 percent to 2 percent for the term 6-11 months.

BlackRock Advisor Plan

Mr. Stephen DiGirolamo informed the board that for the quarter, 100 percent of enrollment-date options were ranked in the top half of their respective 529 peer universes; 65 percent of risk-based and individual fund options ranked in the top half of their respective peer universes and 72 percent of all funds ranked in the top half of their respective peer universes. Over the past year, 70 percent of risk-based and individual fund options ranked in the top half of their respective peer universes and 70 percent of all funds ranked in the top half of their respective peer universes. BlackRock launched new enrollment date options in December 2017 and performance will build from that time forward. Mr. Lindberg added that five (5) funds in the Advisor Plan were placed on "Watch" status and will be closely monitored.

Representative Duffey asked if there were any comments or questions. Discussion ensued.

In response to the question regarding the amount of fees charged for the funds placed on "Watch" status, Ms. Good directed board members to the location on the portal that summarizes performance, fees, inception date and watch status for all options in the Direct and Advisor Plans.

MARKETING UPDATE

Mr. Ben Gibbons began by stating that Ohio's 529 plan is familiar both in Ohio and across the nation. OTTA marketing department goals include (1) increasing plan enrollments by 5% annually, and (2) increasing contributions by 5% annually. Mr. Gibbons noted that in the Direct Plan for the fourth quarter of FY18 enrollments were up over 19 percent and contributions were up 14.6 percent compared to the same quarter in FY17.

Mr. Gibbons shared that Ohio has the third largest 529 Facebook social media presence in the country following Virginia and California.

Mr. Gibbons stated that marketing staff members have held over 200 events over the past year ending June 30, 2018. These events were focused on three target areas: (1) employers, (2) sports/partnerships, and (3) schools/libraries.

OTTA begins its Bengals Kickoff College Savings Sweepstakes event on September 1, 2018 and its Back to School Campaign on September 10, 2018. Various other events will occur though the fall.

Representative Duffey asked if there were any comments or questions. Discussion ensued.

In response to a request to include the amount of funds invested in various marketing efforts in the quarterly marketing report, Mr. Gibbons responded affirmatively.

NEW BUSINESS

Representative Duffey asked if there was any new business to discuss. There was none.

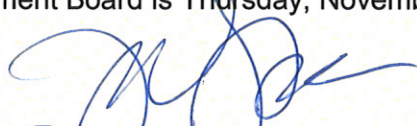
PUBLIC PARTICIPATION

Representative Duffey asked if there was any public participation. There was none.

ADJOURN

Representative Duffey called for a vote to adjourn the meeting. Senator Kunze made a motion to adjourn. The motion was seconded by Mr. Kosanovic. A voice vote was taken. The meeting was adjourned at 11:38 a.m. The next meeting of the Ohio Tuition Trust Authority Investment Board is Thursday, November 15, 2018.

Signed by:



Print name:

JAMES D. BENSON

Date:

11/15/18