



Minutes of the Ohio Tuition Trust Authority Investment Board Regular Meeting

OTTA Investment Board Meeting – Thursday, August 15, 2024
Verne Riffe Center, 77 S. High St., 19th 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, Charles See, Carissa Krane, Rebecca Princehorn, and Mick Zwyer.

Legislative Investment Board Members: State Representative Willis Blackshear, Jr.

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: Alan Perry, Milliman; Christian Jaegar, Dimensional Fund Advisors; Brendan McAndrews, Dimensional Fund Advisors, Gary Gustovich, Dimensional Fund Advisors; Dan Beck, Fifth Third Bank; Ben Mendelsohn, Fifth Third Bank; and Stephen DiGirolamo, Wilshire. Craig Svendsen, NEPC, attended online.

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 May 16, 2024, board meeting. There were none. Mr. James Benson called for a vote to approve the minutes. Ms. Rebecca Princehorn made a motion to approve. Mr. Mick Zwyer seconded the motion. A voice vote was taken. The motion was unanimously approved.

EXECUTIVE DIRECTOR AGENDA AND MEETING OVERVIEW

Executive Director Trisha Good reviewed the Board’s agenda, starting with the annual presentations of Guaranteed Savings Fund (GSF). Mr. Craig Svendsen of NEPC will speak on the GSF investment updates. Mr. Alan Perry from Milliman will share the annual GSF actuarial valuation and its health. Ms. Amy Manett will give the statistical report on the remaining Guarantee Plan account owners and beneficiaries.

The Board will also hear annual presentations from investment partners, Dimensional Fund Advisors (DFA) and Fifth Third Bank. Then Mr. Steven DiGirolamo will share Wilshire’s quarterly updates on the Direct Plan and BlackRock Advisor Plan performances and market updates. Ms. Good will follow with agency updates. Ms. Manett will cover the quarterly financial update and Mr. Jeff Fogel will share any legislative updates.

GUARANTEED SAVINGS PLAN ANNUAL PRESENTATIONS

Due to technical difficulties, Mr. Craig Svendsen was unable to connect audibly to the meeting. Mr. Alan Perry started the actuarial valuation presentation. Mr. Perry shared that the GSF paid out \$14.6 million during the year, about a quarter of the remaining units. The Weighted Average tuition (WAT) increased by 3.7% for the 2024-25 academic year. The GSF funds earned 6.0%. The Board left the tuition growth assumption at 4.00% and raised the investment return assumption from 4.38% to 4.64%. The Guaranteed actuarial reserve increased by about \$6 million, so the actuarial funded ratio is 281%. Mr. Perry then shared the GSP actuarial cash flow projection until 2053. Discussion ensued.

Mr. Benson called for a vote to approve the actuarial valuation report (FY24-06). Ms. Princehorn made a motion to approve. Rep. Willis Blackshear, Jr. seconded the motion. A roll call vote was taken. The motion was unanimously approved.

Mr. Benson asked Mr. DiGirolamo if he had any comments to add about the assets held in the GSF. Mr. DiGirolamo said that portfolio is mostly fixed income and bonds with a little bit of equity exposure. There are no concerns with the individual managers or funds within the GSF.

DIMENSIONAL FUND ADVISOR'S ANNUAL PRESENTATION

Mr. Benson invited the team from Dimensional Fund Advisors (DFA) to start the presentation. Christian Jaeger, DFA Regional Director, thanked the Board for its time and for entrusting them with Ohio 529 assets. He introduced the other team members: Brendan McAndrews, Portfolio Manager and Vice President, and Gary Gustovich, Senior Client Relationship Manager. Mr. Jaeger then began a brief overview of DFA, which has been around for 43 years and now manages \$740 billion in assets. He explained that DFA is a good complement to Vanguard, especially with DFA's extensive fixed income capabilities. Discussion ensued.

Mr. Brendan McAndrews spoke next of the two DFA funds that Ohio's 529 Plan offers: the World ex US Core Equity Portfolio and US Investment Grade Portfolio. The World ex US Core Equity Portfolio is always in the market. It targets broad coverage of eligible securities to achieve diversification across names and sectors.

Mr. McAndrews then discussed the DFA US Investment Grade Portfolio. With its focus on fixed income, this portfolio invests in G20 countries, with an emphasis on U.S. Treasuries. It's a straightforward investment option that's built to be a ballast. Mr. Mick Zwayer asked if Ohio's 529 Plan has something comparable with Vanguard to this DFA investment option. Mr. DiGirolamo answered that the DFA US Investment Grade Portfolio is an actively managed fund; similar Vanguard funds that in the Ohio's 529 Plan line-up are passively managed. Mr. Benson asked if there were compliance or regulatory issues of which the Board should be aware. Mr. McAndrews answered no. Mr. DiGirolamo stated that Advantaged Age-Based Portfolio (AABP) includes DFA in its age-based bands. Discussion ensued.

FIFTH THIRD ANNUAL PRESENTATION

Mr. Benson invited Mr. Ben Mendelsohn, SVP, Director of Product Management, and Mr. Dan Beck, VP, Product Line Manager, with Fifth Third Bank, to start their presentation. Mr. Beck started by thanking OTTA for its long-standing partnership with Fifth Third Bank. Mr. Beck has been working with OTTA for five years and Mr. Mendelsohn for 10 years. Mr. Mendelsohn started with updates that Fifth Third Bank had recently settled some long-standing issues with CFPB regarding the sales practices in the bank's auto insurance division. The issues were self-identified and reported. Fifth Third is investing in their infrastructure technology and modernization, which will allow them to engage with Ohio's 529 Plan with a different level of service. Mr. Beck then continued with how Fifth Third's broad reach and community outreach in Ohio can be leveraged to increase awareness of Ohio's 529 Plan. As for the Ohio 529 FDIC-insured investment options, strong CDs rates have driven the bank product portfolios to \$148M in balances as of the end of June 2024. Fifth Third plans to maintain competitive CD rates as a differentiator for Ohio's 529 Plan.

Mr. Benson asked for an explanation on how Fifth Third compares its 529 CD rates to others. Mr. Beck said that they compare across ten banks and some online CDs. Mr. Benson then asked Mr. DiGirolamo if it would be possible to receive an apples-to-apples comparison on CD rate information, especially if there is a competitor is

offering a promotional rate. Discussion ensued. Mr. Beck confirmed that Fifth Third has an exclusive relationship with Ohio's 529 Plan and does not offer CDs to any other 529 program.

WILSHIRE QUARTERLY UPDATE

Mr. DiGirolamo stated that Wilshire will go back and find a better way to compare the CD rate comparison chart to gauge how competitive the Fifth Third 529 CD rates are. Mr. DiGirolamo then discussed how the market has been volatile this past quarter. He then walked the Board through the performance for each broad asset class. Mr. Benson asked if Wilshire is concerned with any funds in the Ohio Direct and Ohio Advisor 529 Plans. Mr. DiGirolamo said that there are no concerns for either plan, but they will watch to see if certain funds continue to underperform. Discussion ensued. There are investment options changes both the Ohio Direct 529 and the Ohio Advisor 529 Plans. The Direct Plan AABP has exposure in the Vanguard emerging market fund, which is changing the allocations with its sub-advisors. Ohio 529 Advisor Plan added new five BlackRock ETFs at end of April, so they not have full quarter of performance to record.

EXECUTIVE DIRECTOR UPDATE

Ms. Good started with an update from BlackRock that Danielle Sweeney has rolled over to another area within BlackRock. John Park, who has worked with Ohio's 529 Plan since 2010, will be elevated to her position. OTTA is very comfortable with that change.

Ohio remains the nation's seventh largest state sponsor of 529 plans with a total AUM of \$17.58 billion as of June 30, 2024, which is an increase of 12.3% year over year. Ohio's 529 Plans are growing at the same rate quarterly and year-over-year as other state-run 529 programs. Discussion ensued.

Ohio is the nation's seventh largest sponsor of a Direct 529 Plan with \$10.8 billion in AUM as of June 30, 2024. Ohio's change in AUM year over year, at an increase of 14.7%, is constant with the industry average. Ohio is the fifth largest sponsor of an Advisor Plan with total AUM of nearly \$6.7 billion as of June 30, 2024. The Advisor 529 Plan increase in AUM year over year is 9.1%.

Ms. Princehorn asked if OTTA was seeing any impact from state income tax parity. Ms. Good shared that OTTA had not seen anything internally and cannot do any analysis to see if there is have had an increase of Ohio residents contributing to other state 529 programs. Mr. Benson asked Mr. Dave Kemp if the customer service representatives were receiving any calls on the subject. Mr. Kemp replied that they have not.

Ms. Good next shared that the AABP rolled out new 2044 AABP Fund while the 2024 AABP Fund was rolled into the Graduate Fund. Ms. Good introduced OTTA's new vision, mission, and value statements. OTTA wanted to address all the new benefits and emphasize career training. Also, Ms. Good showed the new Ohio The Heart Of It All agency logo and shared that the new Ohio 529 program logo will be launched on the agency's 35th anniversary on Oct. 2. Discussion ensued.

The annual Morningstar presentation will be held on Sept. 26. Morningstar asked for an RFI request for advisor program manager and the investment consultant. Ms. Carissa Krane asked why Morningstar made this request as it looks at the past, rather than the future. Ms. Good believes that Morningstar is looking at the agency's thought process, but Morningstar is not explaining the request.

Ms. Good said that OTTA will be moving to ODHE Building at 25 Front Street in Columbus in four-six months.

Lastly, Ms. Good asked the Board members to contact her if they would like any educational component to a Board meeting or to be provided with information on their Board responsibilities. Discussion ensued.

Financial update

Ms. Amy Manett shared that contributions were up year-over-year in both the Direct Plan and Advisor Plan with 9.8% and 5.6% increase, respectively. Distributions are also up in both plans.

The Direct 529 Plan rollovers to a Roth IRA was effective Jan. 1, 2024. From January – June, about 600 Direct account owners used this new benefit to roll over \$4 million to Roth IRAs. The Roth IRA rollover option was not

available to Guaranteed account owners until June 1, 2024, as the Ohio Revised Code had to be revised. There have been 25 Guaranteed accounts rolled over to Roth IRAs for a total of \$110,000. BlackRock does not provide the 529-to-Roth IRA rollover data but shared that there has not been much Roth rollover activity. The second quarter Guaranteed Plan statements included many options for account owners for using their remaining funds. Most account owners opted to roll the funds over to the Direct or Advisor 529 Plan.

Revenue is slightly up year over year. OTTA feels that the fees are set in the right place to fund the agency.

Ms. Mannett told the Board that all three 529 plans are being independently audited as normal. She will share the audit results with Board in November. Lastly, OTTA's biennial budget is due in October.

Legislative updates

Mr. Jeff Fogel stated that there was no legislative news to share. He is tracking bills at the statehouse that may impact Ohio's 529 Plan. Mr. Fogel did remind the Board members that their annual ethics training must be completed by the end of the year. He will send out the training link to the Board.

Mr. Fogel reminded the Board that member communications outside of meetings is OK; however, the members must be careful discussing 529-related and other board information as there can be a quorum outside the Board meeting. Rather than messaging the chair with questions, please contact Mr. Fogel or Ms. Good. Mr. Benson asked for some training and further discussion on this topic. Discussion ensued.

NEW BUSINESS

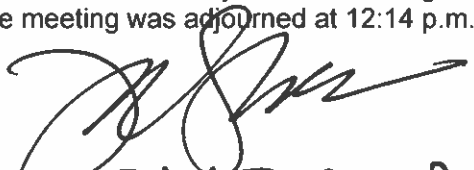
There was no new business.

PUBLIC PARTICIPATION

There was no public participation.

ADJOURN

Mr. Zwyer made a motion to adjourn the meeting. Ms. Princehorn seconded the motion. A unanimous voice vote was taken. The meeting was adjourned at 12:14 p.m.

Signed by: 
Print name: JAMES D. BENSON
Date: 11/14/24