

# The Board of Trustees of the West Virginia College and Jumpstart Savings Programs

APPROVED

## Board of Trustees Quarterly Meeting Minutes

Meeting Date: June 8, 2022

Approved Date: July 20, 2022

### Board of Trustees

Treasurer Riley Moore, Chair

Daniel Anderson

Phyllis Arnold

Bonny Copenhaver

Terri Underhill Rader

Patrick Smith

Philip Uy

Brian Weingart

Chris Heller

Marguerite Horvath

Justin Williams

### Staff

Amy Willard, Deputy Treasurer Savings Programs

Amy Hamilton, Director SMART529

Greg Curry, Financial Director

Lynda King, Administrative Assistant

Sarah Canterbury, General Counsel

Lindsay Marchio, Deputy General Counsel

Karl Shanholtzer, Internal Consultant

Carly Williams, Executive Assistant



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# The Board of Trustees of the West Virginia College and Jumpstart Savings Programs

## Quarterly Meeting Minutes June 8, 2022

315 70<sup>th</sup> Street, SE – 2<sup>nd</sup> Floor Conference Room  
Microsoft TEAMS Optional

The Quarterly Meeting of the Board of Trustees of the West Virginia College and Jumpstart Savings Programs was called to order by Assistant Treasurer Steve Bohman, acting as Chair as designee of Treasurer Moore, on Wednesday, June 8, 2022 at 10:00 am. A silent roll call was taken, and a quorum was established. The following members were present: Dr. Daniel Anderson; Ms. Phyllis Arnold; Mr. Chris Heller; Ms. Marguerite Horvath; Ms. Terri Underhill-Rader; Mr. Patrick Smith; Mr. Brian Weingart; and Mr. Justin Williams. Mr. Phillip Uy and Dr. Bonny Copenhaver were not present.

The following consultants and guests attended: Mr. Jeff Cohan; Mr. Chris Morvant; Ms. Justine Bartholomew; Ms. Allison Mortenson; Mr. Jørn Otte; and, Mr. Jim Glendon representing Hartford Funds - Program Manager. Mr. Ross Bremen and Mr. Tim Fitzgerald representing NEPC, LLC - Program Investment Consultant.

The following WVSTO staff members attended: Ms. Amy Willard; Ms. Amy Hamilton; Mr. Greg Curry; Ms. Lynda King; Ms. Lindsay Marchio; Mr. Karl Shanholtzer; Mr. James Fuerhoff; and, Carly Williams.

The Agenda consisted of the following:

- I. Approval of prior meeting minutes
    - a. Regular Quarterly Meeting March 21, 2022
    - b. Special Meeting May 18, 2022
  - II. Chairman's Report
    - a. Quarterly Program Updates
    - b. Consideration of SMART529 20<sup>th</sup> Anniversary Scholarships
    - c. Committee Appointments – Audit and Investment Committees
  - III. Program Manager's Report – Hartford Funds
  - IV. Program Investment Consultant's Report – NEPC
  - V. Hartford SMART529 Reallocation Proposal
  - VI. Proposed Amendment to the By-Laws
  - VII. Other Business
- Adjournment

### **Agenda Item I. Approval of Minutes**

The Chair indicated the first order of business on the agenda was the approval of the minutes of the regular quarterly meeting held on March 21, 2022 and the Special meeting held on May 18, 2022, which were distributed to the members in advance of the meeting. As there were no additions or corrections to the minutes a motion to accept the minutes was made by Ms. Arnold and seconded by Mr. Williams. There being no discussion, the Chair polled the members and the minutes stand approved as presented.

### **Agenda Item II. Chairman's Report**

#### **a. Quarterly Program Updates**

The Chair recognized Deputy Treasurer of Savings Programs, Ms. Amy Willard, and her team to give the quarterly program reports.

Ms. Willard began her report with the quarterly update for the Jumpstart Savings Program and was excited to announce that a contract for Jumpstart banking services was signed with United Bank, with an effective date of June 1, 2022. She indicated the full team from the Treasurer's Office is working diligently to prepare for the launch of the Jumpstart Savings Program with a press event being planned on June 30th at BridgeValley Community and Technical College. More details regarding the press event will be shared with the Board once they become available. After the program formally launches, the marketing efforts will be ramped up.

Ms. Willard reported that an engagement letter with Brown Edwards and Company has been signed for the Board's financial statement audit for the fiscal year ending June 30, 2022.

From an administrative perspective, in the future the Board packet materials will be emailed instead of attaching them to the meeting notice in Outlook. It has been discovered that those email notifications about the materials being added are sometimes going straight to Deleted folders in Outlook and we want to ensure that all Board members are seeing the materials in advance of the meeting.

Ms. Hamilton was recognized for the quarterly update on the SMART529 program. She reported that the quarterly report was filed with the Legislature and emailed to the Board of Trustees, as well as being included in the Board Packet. The SMART529 program celebrated 529 Day on May 29, 2022. Ms. Hamilton continued by reporting that the When I Grow Up contest banquet will be held September 16, 2022 at the Culture Center and welcomed all Board members to attend.

#### **b. Consideration of SMART529 20<sup>th</sup> Anniversary Scholarships**

The next item on the agenda was the consideration of SMART529 20th Anniversary Scholarships. The Chair recognized Ms. Willard, who reported that in celebration of the 20th Anniversary of the SMART529 program, staff wished to seek approval from the Board to move forward with a scholarship program using some of the Board's Administrative account funds that have built over time. Although details for the scholarships are being finalized, the tentative plan is to

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award three \$20,000 scholarships through a sweepstakes process. West Virginia residents ages newborn to 14 would be eligible for the sweepstakes. The goal would be to announce the full details and rules of the scholarship program in August to coincide with the State Fair, with one winner being announced the first week of October, one the first week of November, and one the first week of December. If the tentative timeline was pushed back for any reason, the number of scholarships could be reduced if needed.

To ensure that the sweepstakes is operated with the greatest fidelity, staff will explore working with the West Virginia Lottery or an external audit firm to help oversee the process. Both options would be explored to determine which pathway was the most cost effective and best value to the Board.

After the presentation, Mr. Williams moved to authorize the SMART529 program to award up to \$60,000 of scholarships from the Board's Administrative Account in conjunction with the 20th Anniversary of the program and to enter a contract with an external entity to help oversee and provide validity to the process. The motion was seconded by Mr. Smith and as there was no further discussion, the Chair polled the members and the motion carried.

#### c. Committee Appointments – Audit and Investment Committees

The next item on the agenda was an announcement of recent committee appointments. In a letter to the Board dated June 1, 2022, it was announced that Phillip Uy had been appointed to fill the vacant seat on the Board's Audit Committee. Also, the Chair formed a special Investment Committee and appointed Chris Heller, Patrick Smith, and Terri Underhill-Rader to serve on that Committee. Chris Heller was appointed to serve as Chair of the Investment Committee, which met this morning for a more detailed review of The Hartford SMART529 Reallocation proposal that will be discussed later in today's agenda.

#### Agenda Item III. Program Manager's Report – Hartford Funds

The Chair recognized Hartford Funds representatives to present the Program Manager's report. Mr. Morvant presented a summary of the quarterly activity as well as an update on client servicing and processing. Highlights of the presentation included the following:

- Total SMART529 Program assets of \$3.09B were up 0.7% compared to last year's levels (\$3.07B); markets appreciated considerably in 2021 but retreated in 1Q22 given volatility primarily associated with Russia's invasion of Ukraine and inflation concerns. The increase in assets was driven by the SMART529 WV Direct plan which increased 10.4% year-over-year (YoY), while SMART529 Select was up 1.6%; assets in The Hartford SMART529 declined 1.5% YoY.
- Q1 2022 sales of \$52.6m were up 1.3% compared to Q1 2021 sales of \$51.9m. Sales growth was led by the in-state SMART529 WV Direct plan, up 10.3% from Q1 2021 (\$11.6m) to Q1 2022 (\$12.8m).
- The Hartford SMART529 plan also experienced a sales increase, up 2.3% (from \$30.3m to \$31.0m), while sales within the SMART529 Select plan decreased from \$10.0m to \$8.8m (-12.0%).

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- Total new accounts were down 8.6% in Q1 2022 (from 1,773 to 1,620), as new accounts within both the broker-sold and direct-sold channels declined YoY; WV new accounts experienced a lesser decline of 4.7% in total, which was driven by the direct-sold channel, but offset by the broker-sold channel which experienced an increase.

Ms. Bartholomew provided a marketing update for the SMART529 Program:

- When I Grow Up - 2,846 student entries up from 2,339 in 2021. There were 22 teacher entries down from 33 last year. An in-person award ceremony will be held on September 16, 2022.
- Creative Refresh Development
  - Create consistency across all advertising materials and speak directly to West Virginians.
  - Insights driving the Creative Refresh
    - 67% of Americans do not know what a 529 plan is
    - 18% of Americans used a 529 plan to save for college—least popular savings vehicle for college
    - 21% of West Virginians have a bachelor's degree or higher
    - 44 is the average age of a 529 national account opener
- New general branding display and a New Bright Babies display ad

Mr. Otte gave an update on field activity throughout the state. He made 1,321 calls, 111 appointments, and gave 94 presentations.

**Agenda Item IV. Program Investment Consultant's Report – NEPC**

The Chair recognized the NEPC Program Investment Consultants for their quarterly report. NEPC reports that stocks struggled in the first quarter of 2022 as investors grappled with inflation, higher interest rates and heightened geopolitical risks amid Russia's invasion of Ukraine. Mr. Ross Bremen reported that financial analysts wonder if we are heading toward a recession. U.S. large-cap stocks were in the red with the S&P 500 index losing 4.6%. Outside the United States, international developed market equities and emerging market stocks fared worse, with the MSCI EAFE Index down 5.9% and the MSCI Emerging Markets losing 7%.

Real assets maintained their momentum in the first quarter as energy commodity prices surged, with the WTI rising over 30% to around \$100 a barrel and natural gas up over 50% for the quarter.

Mr. Tim Fitzgerald discussed the performance of the savings plan, noting that products with more risk had lower returns. Most active managers had a difficult quarter. The stable value product which is designed to preserve capital has helped returns. Hartford's philosophy has worked well during this extremely unfortunate environment.

The SMART529 Select product favors value. Dimensional Advisors has capitalized on that, performing as we would expect. There are no products listed on the Exception Report.

## Agenda Item V. Hartford SMART529 Reallocation Proposal

The Chair recognized Mr. Morvant for the Hartford SMART529 reallocation proposal. Mr. Morvant stated The Hartford Funds Multi-Asset Solutions (MAS) team is responsible for portfolio management of the Age-Based and Static portfolios within The Hartford SMART529. The team continually monitors and assesses the asset allocations and underlying funds within these portfolios as market conditions change and our investment capabilities evolve. As a result of continued assessment, changes were recommended, as summarized below:

- Recommended changes to the equity allocation of age-based and static portfolios (which do not make changes to the age-based portfolios' glide path or equity step downs).
- Recommended adding two low-cost, multifactor ETFs that feature a lower volatility profile and provide exposure to factors including value, quality, and momentum.
- In introducing the above exposures, recommend adding the Hartford International Growth fund to balance value and growth within the international equity allocations.
- Recommended replacing the iShares Russell 1000 Large Cap Index fund with the Schwab S&P 500 Index fund, which provides similar large cap US equity exposure but through a different benchmark at a lower cost.

These proposed changes result in a reduction of portfolio expenses and improve diversification while reducing volatility.

Hartford Funds would like the Board's approval for these changes at the September Board meeting. This would allow time for follow-up questions and for NEPC to fully evaluate the proposal. If approved, the target implementation would be early in the fourth quarter after providing notice to plan participants via a Supplement to the Offering Statement.

The floor was opened for any questions and noted that if there were any questions regarding the proposal in advance of the September meeting, to email Ms. Willard and she will coordinate obtaining responses from Hartford.

## Agenda Item VI. Proposed Amendment to the By-Laws

The next order of business on the agenda was a proposed amendment to the By-Laws for the Board of Trustees of the West Virginia College and Jumpstart Savings Programs. The Chair recognized Deputy General Counsel, Lindsay Marchio, who explained the need for a designated section in TITLE 112 PROCEDURAL RULE - SERIES 15 BY-LAWS for an appeals process. The amendment to the by-laws would add the following language:

### **§112-15-11. Appeals Process**

11.1. In the event that an applicant, account owner, or beneficiary of a program administered by the Board or another individual wishes to appeal a decision made by the Board, the Chair shall appoint a three-member appeals subcommittee to be the arbiter of all appeals brought before the Board.

11.2. The individual shall file any appeal with the Board within sixty (60) calendar days of the contested decision of the Board.

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11.3. The Board shall notify the individual filing the appeal of any determination made by the appeals subcommittee within thirty (30) calendar days of the filing date of the appeal.

Mr. Williams made a motion to adopt the proposed amendment to the By-Laws for the Board of Trustees of the West Virginia College and Jumpstart Savings Programs and file the change with the Secretary of State and the motion was seconded by Ms. Arnold. There being no discussion, the Chair polled the members and the motion carried.

#### **Agenda Item VII. Other Business**

The Chair indicated that at the special meeting on May 18, 2022, there was discussion of doing something special to thank Dave Thomas's family for his many years of service. Treasury staff is working on this and hopes to have it ready for the September Board meeting.

The Chair announced the next Board meeting is scheduled for September 7, 2022 and that there will be an Investment Committee meeting in conjunction with the September meeting. The Audit Committee will schedule a meeting when the results of Brown Edwards and Company's Board's annual audit are available for review.

The Chair indicated that there will be a Special Meeting in mid-July to consider the public comments to the Jumpstart legislative rules. The details for the meeting will be announced in accordance with the Open Meetings Act.

#### **Adjournment**

The Chair asked if there was any further business to bring before the Board. Hearing none, Mr. Smith moved to adjourn the meeting and the motion was seconded by Mr. Williams. The Chair polled the members, the motion passed, and the Chair declared the meeting adjourned at 11:02 am.

Minutes prepared by Lynda King



Steve Bohman, Assistant Treasurer  
Serving as Chair, Board of Trustees