

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

March 21, 2022

The Quarterly Meeting of the Board of Trustees of the West Virginia College and Jumpstart Savings Programs was called to order by Treasurer Riley Moore, Chair, on Monday, March 21, 2022 at 10:00 am. A silent roll call was taken, and a quorum was established. The following members were present: Treasurer Riley Moore, Chair; Ms. Phyllis Arnold; Mr. Chris Heller; Ms. Marguerite Horvath; Mr. Patrick Smith; Mr. Phillip Uy, representing State Superintendent of Schools; Mr. Brian Weingart; and Mr. Justin Williams. Dr. Bonny Copenhaver; Dr. Daniel Anderson; and, Ms. Terri Underhill-Rader were unable to attend.

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. Mr. Ross Bremen and Mr. Tim Fitzgerald representing NEPC, LLC - Program Investment Consultant.

The following WVSTO staff members attended: Mr. Steve Bohman; Ms. Amy Willard; Ms. Amy Hamilton; Mr. Greg Curry; Ms. Lynda King; Ms. Gina Joynes; Ms. Lindsay Marchio; Mr. Karl Shanholtzer; Ms. Heather Raines; and, Ms. Sarah Canterbury.

The Agenda consisted of the following:

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| I.    | Approval of December 8, 2021 Quarterly meeting minutes   | TAB 1 |
| II.   | Overview of Senate Bill 8 and the Jumpstart Savings Program  | TAB 2 |
| III.  | Consideration of Updated By-Laws for the Board of Trustees of the West Virginia College and Jumpstart Savings Programs | TAB 3 |
| IV.   | Audit Committee  | TAB 4 |
|       | a. Audit Committee Report  |       |
|       | b. Consideration of the SMART529 Program Maximum Contribution Limit  |       |
| V.    | Chairman's Report  | TAB 5 |
|       | a. Report on Quarterly Activities  |       |
|       | b. Update on Closeout of the Prepaid Plan  |       |
|       | c. 20th Anniversary of SMART529  |       |
| VI.   | Program Manager Report– Hartford Funds Management Company, LLC   | TAB 6 |
| VII.  | Program Investment Consultant Quarterly Report – NEPC  | TAB 7 |
| VIII. | Other Business   |       |
- The next meeting is scheduled for June 8, 2022.

Adjournment

Treasurer Moore indicated this is the first meeting of the Board under its new name after the passage of Senate Bill 8 in January. The Treasurer introduced the new members appointed to the Board since the meeting in December.

- Chris Heller was appointed by the Governor on December 17, 2021 to serve as the Chartered Financial Analyst representative on the Board. Mr. Heller is Vice President, Wealth Management, and Senior Portfolio Manager at Graystone Consulting. He is a graduate of Cedarville University with a BA in Accounting and Management. In addition to being a CFP® Certificant, Mr. Heller is Series 7, 31, 66 and Insurance licensed, holds the CFA designation, and is a Certified Investment Management Analyst (CIMA®).

- Marguerite Horvath was appointed by the Governor on March 4, 2022 to fulfill the Board position representing a business or entity offering trade or skilled labor apprenticeships in the state. Ms. Horvath is the Vice President of Legal Affairs and Human Resources at March-Westin Company, Inc, headquartered in Morgantown, WV and is a graduate of West Virginia University with a Bachelor of Arts in Political Science, a M.S. in Labor and Industrial Relations, and a Juris Doctor. She has served on the board of directors for the Associated Builders & Contractors WV Chapter, the West Virginia Construction Education Trust, Red Cross and the National Contractors Insurance, Ltd.
- Justin Williams was also appointed by the Governor on March 4, 2022. He fulfills the Board position representing a labor organization that represents tradespersons in the state. Mr. Williams serves as an attorney for the International Union of Operating Engineers (IUOE) Local 132. He is a graduate of West Virginia University with a Bachelor of Arts in Political Science, Master of Public Administration, and Juris Doctor. He has previously worked as a policy director for the West Virginia Secretary of State and as an attorney for the West Virginia House of Delegates and currently volunteers for the Board of the Covenant House WV.

### **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 December 8, 2021 meeting, which were distributed to the members in advance of the meeting. He asked if there were any additions or corrections to the minutes and heard none. A motion to accept the minutes was made by Mr. Smith and seconded by Ms. Arnold. There being no discussion, the Chair polled the members and the minutes stand approved as presented.

### **Agenda Item II. Overview of Senate Bill 8 and the Jumpstart Savings Program**

The Chair moved to the next item on the agenda for an Overview of Senate Bill 8 and the Jumpstart Savings Program and recognized General Counsel, Sarah Canterbury, to give a brief presentation on this topic. Ms. Canterbury indicated that with the recent closure of the Prepaid Tuition plan, the State Treasurer's Office had identified an opportunity for efficiencies through joint governance for the SMART529 and Jumpstart Savings Programs. The Jumpstart Savings Program is the first of its kind but is structured similarly to the SMART529 College Savings Plan while allowing participants to save money to cover the cost of pursuing a trade or occupation. Senate Bill 8 passed and became effective on January 8, 2022. The legislation eliminated the standalone board for the Jumpstart Savings Program and structurally substituted it for recently closed Prepaid Tuition Program. The new board was rebranded as the Board of Trustees of the West Virginia College and Jumpstart Savings Programs. Two new seats were added to the board, which were filled by Justin Williams and Marguerite Horvath. Ms. Canterbury closed her presentation by indicating that several other states are interested in passing their own version of Jumpstart Savings Programs, giving West Virginia the potential to be the leader in this area. As there were no questions for Ms. Canterbury, the Chair moved to the next agenda item.

### **Agenda Item III. Consideration of Updated By-Laws for the Board of Trustees of the West Virginia College and Jumpstart Savings Programs**

The next item on the agenda was the Consideration of Updated By-Laws for the Board of Trustees of the West Virginia College and Jumpstart Savings Programs. The Chair recognized Lindsay Marchio, Deputy General Counsel, to explain the proposed changes to the by-Laws. Ms. Marchio indicated that 112 CSR 15 is the procedural rule for the College and Jumpstart Savings Program Board, otherwise known as the by-laws. Ms. Marchio explained that procedural rules are filed with the Secretary of State's Office but do not go through

the same legislative process as administrative rules. Once the rules are filed, they will become effective immediately. The proposed changes to the by-laws were primarily formatting updates and updates related to the name of the board and membership structure. The proposed changes also removed outdated provisions and redundant subheadings. The Chair asked if there were any questions for Ms. Marchio and none were heard. A motion was made by Mr. Williams to approve the proposed changes to the By-Laws for the Board of Trustees of the West Virginia College and Jumpstart Savings Programs and the motion was seconded by Mr. Smith. The Chair asked if there was any discussion and, as there being none, he polled the members and the motion carried.

#### **Agenda Item IV. Committee Report**

The Chair next recognized the interim Audit Committee Chair, Ms. Phyllis Arnold, to present the Audit Committee Report. Ms. Arnold reported that during the 9:00 am meeting earlier that day, the Committee approved minutes from two prior meetings and heard a presentation from Deputy Treasurer, Amy Willard, regarding a proposal to increase the SMART529 Maximum Contribution limit to \$550,000. After consideration of the information provided, the Audit Committee voted to recommend to the full Board of Trustees of the College and Jumpstart Savings Programs that the Maximum Contribution Limit for the SMART529 Program be increased to \$550,000, effective April 1, 2022. A motion was made by Mr. Smith to increase the SMART529 Maximum Contribution Limit to \$550,000, effective April 1, 2022 and the motion was seconded by Mr. Williams. The Chair asked if there was any discussion and, as there being none, he polled the members and the motion carried.

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

The Chair recognized Deputy Treasurer of Savings Programs, Ms. Amy Willard, and her team to give the quarterly Chairman's Report. Ms. Willard recognized Ms. Amy Hamilton, for the SMART529 quarterly activities. Ms. Hamilton reported that the Quarterly report was filed with the Legislature and sent to the Board of Trustees, as well as being included in the Board Packet. She continued by reporting on the SMART529 savings plan:

- The Savings plan assets continued to increase through the end of December.
- Over 2,008 new accounts were added for the 4th quarter.
- 115,919 active nationwide accounts with a value of \$3,243,993,703. Of those, 37,633 are West Virginia accounts with a value of \$789,879,261.

Ms. Hamilton continued with the marketing update, reporting that the larger sponsorships included WVU football & basketball and Marshall University football. In October, SMART529 started sponsoring the year-long WV PBS Above & Beyond program which honors K-12 educators who go the extra mile.

Ms. Willard recognized Ms. Heather Raines for the update on Jumpstart activities. Ms. Raines reported that the logo and branding guidelines have been finalized. The website [wvjumpstart.com](http://wvjumpstart.com) has a brief overview of the Jumpstart Savings Program and an option to sign up for the monthly newsletter which begins in May. Ms. Raines has been communicating with individuals and organizations to establish a Jumpstart footprint statewide. Examples include, among others, presenting at the quarterly meeting for the Region 3 Workforce Development Board, judging the WV Future Business Leaders of America (FBLA) State tournament in Huntington, and discussions with Pierpont's aviation maintenance program and aviation companies in North Central West Virginia.

Ms. Willard recognized Mr. Greg Curry for the update on closeout of the WV Prepaid Tuition Plan. Mr. Curry reported that closeout of the Prepaid Plan had been completed. After all financial obligations were paid,

\$15,223,078 was returned to the West Virginia General Revenue Fund on February 25, 2022. All records maintained by the third-party vendor, InTuition, have been successfully transferred to WVSTO.

Ms. Willard reported on the 20th Anniversary of SMART529. An Open House Reception was held on March 1, 2022 at the State Capitol for the Legislature and the public and continued promotions will be held throughout the year. Ms. Willard thanked Hartford Funds for the 20<sup>th</sup> Anniversary cookies provided for the board meeting.

The Chair asked if there were any questions regarding the quarterly Chairman's Report and none were heard.

#### **Agenda Item VI. Program Manager**

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 plan assets were up over all three plans for the fourth quarter.
- Total program sales were up for the fourth quarter, which is typically the strongest quarter of the year. Funds from the Baby Dog scholarships and rollovers from the Prepaid plan contributed to the 4<sup>th</sup> quarter growth in the WV Direct plan.
- The number of new accounts were also up during the fourth quarter.
- Ascensus will likely have a hybrid work arrangement for the call center during 2022.
- Call center service levels continue to remain strong.
- Hartford will be able to support the change in Maximum Contribution Limit effective April 1, 2022.
- The previously approved Raymond James Omnibus conversion will take place on March 24, 2022.

Ms. Bartholomew provided a fourth quarter marketing update for the SMART529 Program. She indicated that two new channel placements were tested – iHeart Podcast advertising and a WCHS email and direct mailer campaign for Bright Babies. For the year-end website review, she indicated that visitor volume was down, but visitor quality was up. Moving into 2022, Hartford Funds is working on a creative refresh, video production, reintroduction of Upromise and highlighting the 20<sup>th</sup> Anniversary.

Mr. Otte gave an update on field activity throughout the state. He indicated that Grandfamilies program visits have been very successful. During the fourth quarter, he averaged 5.6 presentations per week.

#### **Agenda Item VII. Program Investment Consultant Reports**

The Chair recognized the NEPC Program Investment Consultants for their quarterly report. Mr. Bremen reported on overall market conditions. He indicated 2021 was a strong year for equity markets. The S&P 500 was up 28.7%. Domestic markets were higher than non-US stocks. There was re-emergence for value small-cap stocks which performed well during the year. He also indicated that fixed-income headlines were dominated by inflation concerns. Fixed income returns were mostly flat or slightly down for the year. Mr. Fitzgerald reported on the performance of the Savings Plan trust fund. The WV Direct portfolio tracked with their specific custom benchmarks for the fourth quarter. The Hartford SMART529 portfolios performed as expected based on their make-up and targets, with the lower age-based portfolios (ex: ages 0-3) having higher returns due to their higher focus on equity. SMART529 Select from Dimensional performed well during the quarter. They lean towards small caps in their overall philosophy which contributed to their success.

Upon the completion of the NEPC presentation, The Chair mentioned that the first of probably several rate hikes have gone into place this year and inquired about how our programs would try to balance because of the impact the rate hikes will have on the economy. Allison Mortenson of Hartford Funds indicated that the strategic allocation of the age-based portfolios considers the makeup of the funds and tries to balance and have some hedges built in since the portfolios are not meant to change allocations frequently. However, the

underlying fund managers can shift allocations more quickly as needed, even daily, based on performance. Jim Glendon, also of Hartford Funds, added that on the fixed income side, the Hartford is very well positioned for this environment as it illustrates why they include stable value, heavy allocation within fixed income. The impact of rates on equities will depend on the specific strategy of the funds, with the expectation that some funds will do well but others, primarily growth funds, will face a tougher time.

The Chair then inquired about fund managers trying to reallocate as it relates to emerging market funds or international funds. Per Mr. Glendon, across all of Hartford funds, they were trying to trim their Russian exposure and they were able to get out of some right before sanctions took the value to zero. Most Russian values have been taken to zero by the market movements, but fortunately, Russia is a small component of the international indices. Tim Fitzgerald indicated that NEPC did investigate the levels of Russian exposure with all SMART529 fund managers. As of December 31, 2021, Russian assets were 0.22% in Hartford SMART529, 0.12% in WV Direct SMART529, and 0.06% in the SMART529 Select. Those percentages are even less currently than they were in December.

### **Agenda Item VIII. Other Business**

The next Board of Trustees meeting is scheduled for Wednesday, June 8, 2022 at 10:00 am; however, it is anticipated that a special meeting of the Board will be scheduled in April 2022 to consider legislative rules for the Jumpstart Savings Program and some potential committee changes. The Chair asked if there was any further business to bring before the Board. None was heard.

### **Adjournment**

As there was no further business, Mr. Williams moved to adjourn the meeting and the motion was seconded by Ms. Arnold. The Chair polled the members and the motion passed. The meeting adjourned at 10:49 am.

Prepared by Lynda King

Approved Date: June 8, 2022 Board meeting

  
Riley Moore, Treasurer  
Board of Trustees Chair