

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

## Quarterly Board of Trustees Meeting

315 70th Street, SE – 2nd Floor Conference Room  
Microsoft TEAMS Optional

**December 4, 2024**

**10:00 a.m.**

The Quarterly Meeting of the Board of Trustees of the West Virginia College and Jumpstart Savings Programs was called to order on Wednesday, December 4, 2024, at 10:02 a.m. A silent roll call was taken, and a quorum was established. The following members were present: Steve Bohman (Chair), Chris Heller, Justin Williams, Phillip Uy, Dr. Bonny Copenhaver, Phyllis Arnold, Clea Harless, Marguerite Horvath, and Patrick Smith. The following members were absent: Dr. Daniel Anderson, Brian Weingart.

The following consultants were present: Chris Morvant, Rick Fuerman, and Jørn Otte representing Hartford Funds, and Tim Fitzgerald representing NEPC, LLC. Attending virtually was Jim Glendon, Allison Mortensen representing Hartford Funds, and Christian Jaeger representing Dimensional Funds.

The following WVSTO staff members attended: Lindsay Marchio, Amy Hamilton, Greg Curry, Karl Shanholtzer, Gina Joynes, and Andrea Herrick.

The agenda consisted of the following:

### Call to Order – Silent Roll Call

- I. Consideration of the September 4, 2024 Regular Quarterly Board Meeting Minutes
- II. Chairman’s Report
  - a. Morningstar 2024 Results – Amy Hamilton, Director
  - b. Savingforcollege.com Ratings-Amy Hamilton, Director
  - c. Due Diligence Report-Amy Hamilton, Director
  - d. SMART529 Operational Update – Amy Hamilton, Director
  - e. Financial Update – Greg Curry, Finance Director
  - f. Jumpstart Operational Update – Andrea Herrick, Director
  - g. Marketing Update – Gina Joynes, Assistant Treasurer
- III. Audit Committee Report
- IV. Program Manager Quarterly Report– Hartford Funds
- V. Investment Committee Report
- VI. Program Investment Consultant Quarterly Report – NEPC
- VII. Consideration of Funds for the Watch List
- VIII. Other Business

### Adjournment

## **Agenda Item I.**

The Chair indicated the first order of business on the agenda was the approval of the minutes from the September 4, 2024, quarterly meeting. The minutes were circulated as part of the Board packet. As there were no additions or corrections to the minutes, a motion to accept the minutes was made by Patrick Smith and seconded by Phyllis Arnold. There being no discussion, the Chair polled the members, and the minutes were approved as presented.

## **Agenda Item II.**

The Chair advised the next item on the agenda was the Chairman's Report. The Chair recognized SMART529 Director, Amy Hamilton and team to give the quarterly report.

Ms. Hamilton noted Morningstar released their national ratings of fifty-nine 529 plans on October 29, 2024. Of the three plans under the SMART529 umbrella, only The Hartford SMART529 plan has sufficient assets to be rated by Morningstar.

The Hartford SMART529, maintained a Neutral rating overall with the Process, People, and Parent receiving a Positive score and the Price pillar receiving a Negative score. It is important to note The Hartford SMART529 is one of the more affordable advisor-sold plans. A few highlights of the analyst's official write-up included:

- Residents of West Virginia working with a financial advisor are in good hands with the state's advisor-sold Hartford SMART529 College Savings Plan. It features a compelling process and investment team, as well as sound oversight from the state.
- Hartford's well-equipped multi-asset solutions team earns an Above Average People rating. The team conducts original research on education savings to inform portfolio decisions and continues to grow.
- The West Virginia's State Treasurer's Office provides significant oversight, supporting a Parent rating of Above Average. Multiple layers of oversight include a board of trustees and an investment committee of qualified professionals with relevant expertise.

Ms. Hamilton thanked Treasury, Hartford Funds and NEPC staff for their contributions to the ratings process. She stated efforts are ongoing to continually improve the Morningstar rating. As an advisor-sold plan, The Hartford SMART529 presents a challenge due to how fees are evaluated, and the size of the plan compared to other advisor sold-plans in larger states.

Ms. Hamilton also gave an update on rankings of SavingforCollege.com, an industry website that provides ratings of 529 plans. There were significant changes in the process in rating plans this year.

Each of the three SMART529 plans continue to receive a score from 1 to 5 caps (similar to stars used by hotels and restaurants). All SMART529 plans were rated at 4.5 stars. There are new award tiers consisting of Top of the Class, High Honors and Honors. All three SMART529 plans received "Top of the Class" awards and had the highest rating of "Best" for state resident benefit.

Ms. Hamilton continued with an update of the annual due diligence meetings with Hartford Funds which were held November 20-21, 2024. Various Treasury staff including Marketing, IT and Legal attended in-person and virtually.

There were twelve meetings on various topics, including a firm update with Hartford Funds' President Jim Davey who will retire at the end of the year. Greg Frost, who is currently the CFO, will take over the position of president on January 1<sup>st</sup>. Tim Fitzgerald (NEPC) also attended the meetings and will provide an official memo to the Board.

### Chairman's Report

Moving on to the Chairman's Report, Ms. Hamilton stated the quarterly status report was filed with the Legislative Librarian on November 22<sup>nd</sup> and is posted on Treasurer's website.

During the quarter, the SMART529 Savings Plan added 1,288 accounts, ending the period with nearly 109,000 active nationwide accounts. The assets were valued at \$3.1 billion. Of the nationwide accounts, over 39,000 are West Virginia resident accounts with a total value of \$850,000,000. Significant SMART529 activities and community events can be found on the report.

Financial Director, Greg Curry, gave financial statistics and key fund balances as of September 30, 2024 which are:

College and Jumpstart Savings Administrative Fund	\$4,923,754
Prepaid Tuition Trust Escrow Fund	\$1,118,665
Jumpstart Savings Trust Fund (Invested with WV BTI)	\$2,019,989
Jumpstart Savings Trust Fund (Individual Accts. With United Bank)	\$ 35,608

Mr. Curry noted the balance in the College Savings Trust is provided in the operational update. The FY 2024 audit has been completed and presented to the Audit Committee. The Annual Comprehensive Financial Report will be submitted to the Government Finance Officers Association soon.

Jumpstart Director, Andrea Herrick provided a report on the Jumpstart Savings Program which included meetings and activities. Treasury staff recently concluded a college and career exploration tour that included all 55 counties. Outreach was made to all high school and adult career advanced degree education programs in West Virginia, which included counselor packs, posters, and program information.

Ms. Herrick noted Treasury staff pursued partnerships with alumni, foundations, businesses and other organizations, encouraging them to utilize Jumpstart savings accounts for awards and career advancement scholarships. She noted 22 Jumpstart accounts were added during the quarter, with 294 accounts opened since program inception. Treasury staff recently completed efforts to obtain the \$5 minimum opening deposit as part of the application process which should result in increased deposits.

A special Board meeting will be held on December 10<sup>th</sup> to discuss Board approval of Recordkeeping Services for the Jumpstart Savings Program.

Gina Joynes, Assistant Treasurer of Marketing presented a marketing update. She noted the 18<sup>th</sup> annual SMART529 "When I Grow Up" essay contest for K - 5<sup>th</sup> grade students will launch in early January. New this year, is the ability to enter early at [SMART529.com](https://SMART529.com). This will allow field staff extra time to promote the contest.

Ms. Joynes stated there is a continued partnership with West Virginia Public Broadcasting to underwrite television and radio programming. West Virginia teachers are honored monthly through Public Broadcasting's "Above and Beyond" program. The Bright Babies \$100 incentive program mailed more than 10,000 postcards to parents of West Virginia newborns this year thanks to a partnership with the

WV Department of Health. Additionally, SMART529 is promoted monthly through posts and advertisements on the West Virginia Treasury Facebook Page. This upcoming year, SMART529 will sponsor a redesign of the popular “Get a Life” activity and will continue to promote the SMART529 program in the schools through this activity.

The Chair asked if there were any questions for staff. Dr. Copenhaver asked if the “Get a Life” activity will include two-year degree programs. Ms. Joynes affirmed that the program would and asked Dr. Copenhaver to assist with the program’s career choices.

### **Agenda Item III.**

Moving on to the next Agenda item, the Chair recognized Phillip Uy, Chair of the Audit Committee, to give his report. Mr. Uy advised the Audit Committee met on October 9, 2024, and first approved the minutes from the May 30, 2024 meeting. The Audit Committee then heard a risk assessment presentation from Internal Auditor, Lisa Rutherford, who reported no significant findings during the audit. Other elements included business continuity and disaster recovery plans for both SMART529 and Jumpstart.

The Audit Committee heard from the Board’s external auditors, Brown, Edwards & Company, regarding the financial statements for the year-ended June 30, 2024. The auditors indicated that the financial statements were given an unmodified, or clean, audit opinion. In addition, the auditors reported no material weaknesses or significant deficiencies in internal control. The Audit Committee voted to accept the FY2024 audited financial statements and all related communications.

Deputy Treasurer, Amy Willard, provided a general overview of the duties outlined in the Audit Committee Charter. Board staff have no recommended changes to the language contained in the Charter and believe the duties outlined have been fulfilled for the year ended June 30, 2024.

The Audit Committee Chair noted there were separate discussions (independent of management) with the external (and internal) auditors and WVSTO Legal Counsel. It was determined there were no matters to be brought to the Audit Committee’s attention.

The Audit Committee then voted to confirm that they had completed the annual responsibilities outlined in the Audit Committee Charter for the fiscal year ending June 30, 2024.

The Chair asked if there were any questions for Mr. Uy. None were heard. The Chair asked for a motion to accept the Audit Committee report. Chris Heller made a motion, and it was seconded by Justin Williams. Hearing no discussion, the Chair polled the members and the motion carried.

### **Agenda Item IV.**

The Chair advised the next item on the agenda is the Quarterly Program Manager Report. The Chair recognized Chris Morvant and team from Hartford Funds, to give the presentation.

Mr. Morvant advised as of September 30, 2024, the SMART529 Program Assets of \$3.1B, were up 13.7% relative to the same period last year. He continued, noting the Federal Reserve has been fighting against inflation and there have been multiple rate cuts which has been a positive for equity markets, giving a boost to program assets. The SMART529 WV Direct Plan reached \$525 million this year. He praised Hartford Funds’ Jørn Otte and Treasury staff for their promotion and marketing efforts.

Looking at growth metrics, Mr. Morvant noted sales and new accounts have been consistently positive throughout 2024 in the direct and advisor-sold channels, incenting account owners to feel more comfortable financially.

Mr. Morvant continued from a client servicing perspective, advising 10,377 calls were handled across all three SMART529 plans in the third quarter, with an average answer rate of 11 seconds. The call center's volume was very high during quarter three, with July and August tuition distributions. The call center vendor, Ascensus, is an industry leader in managing these massive swings in distribution season. All SMART529 distribution requests were processed on time.

Mr. Morvant provided additional insight on the Morningstar ratings and updated methodology which is based on four pillars- Process, Parent, People and Price. This year, there was more emphasis on the Process pillar with the rating weight increased from 30% to 50%. The Parent pillar, which is Board oversight, Treasury staff and the investment consultant (NEPC) went up from 10% to 25%. The People pillar which includes Jim Glendon and Allison Mortenson along with their 17-member investment team at Hartford Funds went from 30% to a 25% weighting. Price was based on a quantitative adjustment to the rating score using the average expense of all portfolios compared to the median average expense of every 529 plan within in the rating universe. Mr. Morvant felt the write-up by Morningstar was very fair. He highlighted several slides in the Program Manager Report which provide additional information on the ratings perspective, including the Hartford Funds' relationship with Wellington and Schrodgers and the original research provided by the team. From a price perspective, The Hartford SMART529, it is a top five plan in both five- and ten-year returns.

Moving on, Mr. Morvant give a brief overview of the Saving for College ratings. All three SMART529 plans received the "Top of the Class" distinction. Ms. Arnold complimented Treasurer Moore, Treasury staff and the Hartford Funds Team for a positive write-up.

Mr. Morvant turned the meeting over to Mr. Rick Fuerman, SMART529 marketing lead at Hartford Funds, to give the marketing update.

Mr. Fuerman noted the Saving for College "Top of the Class" rating is now featured on all three SMART529 websites. He continued, noting website traffic was up with page views being slightly down. Web traffic is mainly driven by social media campaigns, primarily through LinkedIn and Facebook. In addition, Hartford Funds sent out around 13,000 monthly emails to existing account holders. Marketing will determine which emails resonate best with the audience and which will be replicated going forward. Dr. Copenhaver asked if the last FAFSA application form caused any concern with account holders. Mr. Fuerman noted there were no concerns from the Service Center (Ascensus). Mr. Fuerman concluded by noting the WVU sponsorship booth in August was well attended and that the 2024 Marketing budget was \$675,000.

Mr. Fuerman turned the meeting over to Mr. Otte to give field work statistics. Mr. Otte noted the WV Public Broadcasting sponsorship of "Super Why" at the Cabell County Library was a great event. Mr. Otte continues to work with Treasury field staff. He made around ten presentations per week during the quarter.

The Chair asked if there were any questions for the Hartford team. None were heard.

## **Agenda Item V.**

Moving to the next agenda item, the Chair recognized Chris Heller to give the Investment Committee Report. Mr. Heller stated the Investment Committee met this morning at 9:00 a.m. and first approved the minutes from the September 4, 2024 meeting.

He continued by noting that Tim Fitzgerald (NEPC) provided an overview of the annual Hartford Funds due diligence meetings held November 20-21, 2024. A formal memo will be provided to the Board.

The Investment Committee received commentary from Tim Fitzgerald and Internal Consultant, Karl Shanholtzer, regarding funds to be added to the Watch List. The Investment Committee voted to recommend the full Board add the Hartford MidCap Core Fund to the Watch List.

SMART529 Director, Amy Hamilton provided the investment Committee with an update on the 2024 Morningstar rating of the Hartford SMART529 and SavingforCollege.com ratings which the Board heard earlier today.

The Chair asked if there were any questions. None were heard. Dr. Copenhaver made a motion to accept the Investment Committee Report and it was seconded by Mr. Williams.

## **Agenda Item VI.**

The Chair recognized Tim Fitzgerald (NEPC) to present the Investment Consultant Quarterly Report.

Mr. Fitzgerald first commented that Hightower Advisors has made a strategic investment in NEPC. NEPC will retain 20% ownership and maintains operational independence with a separate and unique presence which is mutually beneficial. NEPC will gain growth opportunities while Hightower Advisors will gain institutional knowledge.

Continuing with his report, Mr. Fitzgerald noted equities continued to rally during the quarter and the S&P was up at 5.5%. Small caps did well, which is something that the market hasn't seen in sometime. The Russell 2000 was at 9.3%. Emerging markets outside of the U.S. were positive, with strong returns. Developed markets are strong, earning 7.3%.

The rally saw large value or value, in particular, outperform growth and that hasn't happened in around six quarters. Large growth was up around 3.2%. Moving on, Mr. Fitzgerald noted it was an exceptional quarter. Mr. Fitzgerald paused for questions. None were heard.

Mr. Fitzgerald continued his report of the Executive Summary. There are two announcements of note. The first - NEPC is recommending the Board elevate the Hartford MidCap Core Fund to the Watch List. Page 10 of the report provides commentary and NEPC will continue to provide due diligence. The second - there was one portfolio manager change to the Hartford Capital Appreciation Fund. There are no anticipated changes to the Fund's investment philosophy, process, or investment objective. NEPC recommends no action at this time.

Moving on to plan performance, Mr. Fitzgerald noted the WV Direct Age-Based 0-3 Portfolio earned 6.7%, with the Age-Based 18+ Portfolio earning 2.2%. Over the last year, the Age-Based 0-3 Portfolio earned 30.2%, with the Age-Based 18+ Portfolio earning 7.3%. The Vanguard 500 Index Fund was up over 35% for the year. All in all, a fantastic year.

Mr. Fitzgerald next reviewed The Hartford SMART529 performance, noting the Age-Based 0-3 Portfolio earned 6.1% during the quarter with the Age-Based 18+ Portfolio earning 2.1%. During the last year, the Age-Based 0-3 Portfolio earned 30.7% with the Age-Based 18+ Portfolio earning 7.6%. He noted the Hartford Multifactor US Equity ETF outperformed its benchmark at 3.5% and the Hartford Growth Opportunities Fund outperformed its benchmark by 9%.

There was commentary provided by Mr. Fitzgerald on the Hartford MidCap Core Fund, noting there was underperformance over the majority of the period. NEPC and Treasury staff met with Hartford Funds staff during the due diligence meetings and will give more detail to the Board in the due diligence report.

Mr. Fitzgerald moved on to SMART529 Select performance, noting the Age-Based 0-3 Portfolio earned 6.9% during the quarter with the Age-Based 19+ Portfolio earning 2.4%. During the last year, the Age-Based 0-3 Portfolio earned 29.2% with the Age-Based 19+ Portfolio earning 9.9%, making it an exceptional year.

In closing, Mr. Fitzgerald reviewed the Exception Report. There were two funds added to the Exception Report this quarter: Hartford Core Equity Fund and the Hartford Schroders Emerging Markets Equity Fund. He reminded the Board, funds that underperform their benchmark and peers over both at 3-and 5-year periods will be called out on the report. The NEPC Quarterly Report is attached hereto and made a part hereof.

#### **Agenda Item VII.**

Moving to the next agenda item, the Chair asked if any members wish to recommend an investment option be added to the Watch List. Mr. Heller made a motion to recommend the Hartford MidCap Core Fund be added to the Watch List. Dr. Copenhaver seconded the motion. There being no discussion, the members were polled, and the motion carried.

#### **Agenda Item VIII.**

The Chair asked if there was any further business to be brought before the Board and none was heard. The next regularly scheduled meeting will be scheduled in accordance with the Open Meetings Act. Mr. Smith moved the meeting be adjourned. The motion was seconded by Ms. Arnold. Hearing no discussion, the members were polled, and the motion carried. The Chair declared the meeting adjourned at 11:06 a.m.

Prepared by Amy Hamilton  
Board Approval Date: 3/5/25

Submitted by:



Steve Bohman, Deputy State Treasurer