

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

Investment Committee Meeting Minutes

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

August 7, 2024
9:00 a.m.

The Investment Committee Meeting of the Board of Trustees of the West Virginia College and Jumpstart Savings Programs was called to order on Wednesday, August 7, 2024 at 9:03 a.m. A silent roll call was taken, and a quorum was established. The following members were present via Teams: Mr. Chris Heller, Chair and Ms. Cleta Harless. Patrick Smith attended in person.

The following consultants were present via teams: Mr. Chris Morvant; Ms. Allison Mortensen representing Hartford Funds; and Mr. Tim Fitzgerald representing NEPC, LLC.

The following WVSTO staff members attended: Treasurer Riley Moore; Ms. Amy Willard; Ms. Gina Joynes; Ms. Lindsay Marchio; Ms. Amy Hamilton; Mr. Greg Curry; Mr. Karl Shanholtzer; Mr. Riley Keaton; and Ms. Elizabeth Liston.

The agenda consisted of the following:

Call to Order – Silent Roll Call

- I. Consideration of the Minutes from the June 5, 2024 meeting
- II. Consideration of Recommendations related to the Investment Policy Statement

Adjournment

Agenda Item I.

The Chair indicated the first order of business on the agenda was the approval of the minutes from the Investment Committee meeting on June 5, 2024. The minutes were previously circulated with the Board packet. Cleta Harless made a motion to accept the minutes as presented. The motion was seconded by Patrick Smith. There being no discussion, the members were polled, and the motion carried.

Agenda Item II.

The Chair indicated the next order of business on the agenda was the consideration of changes to the West Virginia Savings Plan Trust Investment Policy Statement.

The Chair recognized Karl Shanholtzer to give the presentation. Mr. Shanholtzer advised that Treasury prepared the draft of the West Virginia Savings Plan Investment Policy Statement in conjunction with NEPC and Investment Committee Chair, Chris Heller. Suggestions were also provided by Hartford Funds. He added staff was not able to do a red-line version of the changes, due to the previous file being difficult to edit. As a result, Board staff is recommending a repeal and replacement of the Investment Policy Statement with the new version.

Mr. Shanholtzer stated the update is intended to amend the policy and clarify certain provisions as follows:

Updates the Statement of Purpose

- Updates the Purpose to better define the Trust Fund and the types of investment options available (age-based, static and stand-alone funds)
- Clarifies “material deviations not permitted” rather than the stricter “deviations”

Updates Definitions

- Replaces Fund definition with WVSPTF definition (WVSPTF was previously defined in Statement of Purpose, this just provides the acronym)
- Adds a definition for Staff

Revises Establishment and Authority section

- Moves paragraphs describing Program responsibilities to Responsibilities section

Adds Responsibilities section

- Defines responsibilities of the Board
- Defines responsibilities of the Investment Committee
- Defines responsibilities of the Program and participants for investment decisions
 - Program is limited to providing education and communications
 - Participants responsible for determining their own asset allocations
- Enumerates the components of the Trust as each have a different target audience and/or distribution method
 - Advisor sold The Hartford SMART529, SMART529 Select, and SMART529 WV Direct
- Clarifies fund risk is to be controlled and/or monitored

Creates section for Investment Guidelines, Benchmarks, and Performance Expectations

- Consolidates old policy section: IV. Performance Expectations
- Clarifies the source of benchmarks, that secondary benchmarks may be utilized and that benchmarks are subject to change
- Clarifies that Index Funds will be monitored on their ability to track the risk and return of the underlying benchmark and that expense ratios will be evaluated for reasonableness versus similar funds
- Clarifies performance expectations for actively managed funds
 - Clarifies actively managed funds are expected to deliver net-of-fee performance above benchmark and perform well relative to peers
 - Clarifies active performance is expected to outperform versus benchmark over the 3- or 5-year periods (not both) or exceed the median return of peers over either time period
 - Certain funds may have difficulty in outperforming benchmarks, such as is the case with the large-cap growth fund where the benchmark allocations to certain names exceeds the limits of the fund’s governing documents, so comparison to peer funds is more appropriate
 - The updated provision will result in funds that fall below benchmark and peer in both the 3-and 5-year period appearing on the Exception Report
- Updates the section for Quarterly Investment Review
 - Clarifies due diligence reports and/or other reviews that may be performed will be included in the investment review, clarifying these reports will be provided if they are done
 - Creates bullet for Quarterly Exception Report (QER) – fully defined in next section
 - For Investment Options that do not meet performance expectations (Investment Option that does not outperform benchmark over 3-and 5-year periods and is not above median peer for the 3-and 5-year period)
 - Creates bullet for Watch List of Investment Options – fully defined in next section
 - Report of Investment Options that require additional review and/or monitoring

- Replaces Formal Investment Option Review with Quarterly Exception Report (QER), Watch List and Formal Investment Review
 - Defines Quarterly Exception Report
 - Defines criteria for being placed on Quarterly Exception Report
 - Enumerates factors that may be considered in evaluating Investment Options that appear on QER
 - Clarifies that Investment Options not identified for inclusion on Watch List will remain on QER until performance meets policy evaluation criteria
 - Defines the Watch List
 - Specifies that items on for formal review be placed on the Watch List
 - Items from QER that were identified for review
 - Other items as determined by the Board, staff or investment consultant
 - Investment Options remain on the Watch List until performance issues are resolved
 - Adds language that the Board has no duty to notify participants when an Investment Option is placed on the QER or Watch List
 - Adds two provisions for possible actions on Watch List Items
 - Modify Investment Option
 - Remove from Watch List if the Board determines it should be removed
 - Clarifies changes in participant contributions may be made if an investments option is closed or terminated in addition to being suspended
 - Adds requirement for program manager to report style drift or changes in key personnel
 - Adds provision that the Board, at its discretion, may conduct or request an informal review of an Investment Option
 - Adds provision that the Board may consider criteria other than those listed in policy when evaluating an Investment Option

The Chair asked if there were any questions for Mr. Shanholtzer. Mr. Fitzgerald from NEPC did not have a question but wanted to express this was a very collaborative effort. He further stated it is a good fiduciary practice to review this from time to time and document the discussion and potentially any changes.

Ms. Harless asked why the Investment Policy Statement didn't include an outlined asset allocation framework for the funds. Mr. Shanholtzer responded the participants are responsible for their own asset allocations and that the age-based allocations offered to participants are determined by the Investment Managers.

The Chair then asked if anyone had any proposed changes to the draft investment policy statement as recommended by the Board staff. No proposed changes were heard. Patrick Smith made a motion for the Investment Committee to recommend to the full Board repeal and replace the West Virginia Savings Plan Trust Fund Investment Policy Statement from March 2023 with the new draft version explained by Board staff. Ms. Harless seconded the motion. There being no discussion the members were polled, and the motion carried.

Adjournment

The Chair advised the next meeting of the Investment Committee will be announced in accordance with the Open Meetings Act once the date and time has been determined. The Chair asked if there was any further business to be brought before the Committee. Hearing none, the Chair made a motion to adjourn the meeting. The motion was seconded by Patrick Smith. Hearing no discussion, the Chair polled the members and the motion carried. The Chair declared the meeting adjourned at 9:16 a.m.

Prepared by Elizabeth Liston
Committee Approval Date: 9/4/2024

Submitted by:



Chris Heller, Chair
Investment Committee