

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



Special Investment Committee Meeting Minutes June 8, 2022

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

The Special Investment Committee Meeting of the Board of Trustees of the West Virginia College and Jumpstart Savings Programs was called to order on Wednesday, June 8, 2022 at 9:00 am. A silent roll call was taken, and a quorum was established. The following were present, Mr. Chris Heller, Chair; Mr. Patrick Smith; and, Ms. Terri Underhill Rader.

The following consultants and guests attended, Mr. Jeff Cohan, Mr. Chris Morvant, Ms. Allison Mortenson, Mr. Jim Glendon, representing Hartford Funds; and, 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; and Ms. Carly Williams.

The Agenda consisted of the following:

Call to Order – Silent Roll Call

I. The Hartford SMART529 Reallocation Proposal

II. Other Business/Future Meetings

Adjournment

Agenda Item I. The Hartford SMART529 Reallocation Proposal

The first order of business on the agenda was The Hartford SMART529 reallocation proposal from Hartford Funds. The Chair recognized Chris Morvant and team from Hartford Funds. Mr. Morvant introduced the team responsible for portfolio management of the age-based and static portfolios within The Hartford SMART529, Ms. Allison Mortenson and Mr. Jim Glendon. Allison and Jim briefly went over their qualifications and responsibilities within The Hartford Funds Multi-Asset Solutions team. The Multi-Assets solution team continually monitors and assesses the asset allocations and underlying funds within the portfolios as market conditions change and investment capabilities evolve. As a result of continued assessment, changes were recommended within the equity allocation of The Hartford SMART529 across the Age-Based and Static portfolios.

The proposed changes will reduce underlying expenses in the funds, as well as reduce volatility and improve exposure. The allocation changes are limited to the equity allocations - there are no proposed changes to fixed income. The recommended changes do not impact age-based glide paths.

The Multi-Asset Solution team remained true to their basic philosophy when recommending the changes. They don't just consider glide paths using a percentage of equity – they consider other factors such as volatility and preservation of capital during the final stages of the glide path. Risk is considered not only for each individual investment, but for the portfolio as a whole.

The basic summary of the proposed changes is as follows:

- In considering the entirety of Hartford Funds' product line-up, recommend adding two low cost, multifactor ETFs that feature a lower volatility profile and provide exposure to factors including value, quality, and momentum.
- In introducing these exposures, the proposal is seeking to balance value and growth within the international equity allocations by adding the Hartford International Growth fund.
- The proposal includes 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 and at a lower cost.

For the new funds being proposed, all are medal-rated by Morningstar. The Schwab S&P 500 is gold rated by Morningstar with a 0.02% net expense ratio, replacing the silver rated iShares Russell 1000 Large Cap Index Fund with a 0.13% net expense ratio.

The cost reductions achieved by the proposed changes are higher at the lower age levels since there is a higher equity focus at those ages. There will be a fee reduction across all age-based and static portfolios with no portfolios experiencing a fee increase. The average expense reduction is almost 10%. Changes made by the Hartford have resulted in significant fee reductions since 2017.

The Hartford will give an abbreviated version of the presentation to the full Board after the Investment Committee meeting. No action will be requested on the proposal until September. If approved in September by the Board, the changes would go into effect in October after giving notice to participants.

Mr. Tim Fitzgerald, NEPC - Investment Consultant, indicated that NEPC's initial assessment of the Hartford proposal was positive, but that they will do a deeper dive before the September meeting.

The Chair asked if the Hartford or NEPC had benchmarked the Hartford SMART529 against other 529 plans from across the country in terms of fees. Chris Morvant indicated that the Hartford SMART529 plan is generally in the middle of the pack of advisor sold plans, but that they would be happy to pull together more information.

Hearing no other questions, the Chair moved to the next agenda item.

Agenda Item II. Other Business/Future Meetings

The Chair reiterated that the full Board would hear an abbreviated version of Hartford's presentation at the Board meeting following the Investment Committee meeting. The Chair indicated the Investment

Committee will meet again in advance of the September meeting to give a Committee recommendation to the Board regarding the Hartford proposal.

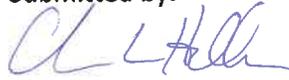
Board members were advised to send any additional questions regarding the proposal to Deputy Treasurer, Amy Willard, who will obtain responses from Hartford Funds.

Adjournment

As there was no further business, Mr. Smith moved the meeting be adjourned and the motion was seconded by Ms. Rader. The members were polled, and the motion carried. The Chair declared the meeting adjourned 9:28 am.

Prepared by Lynda King
Committee Approval Date: September 7, 2022

Submitted by:

A handwritten signature in blue ink, appearing to read "C. Heller", written over a horizontal line.

Chris Heller, Chair
Investment Committee