

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

Board of Trustees - Special Meeting

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

August 7, 2024

10:00 a.m.

The 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 10:03 a.m. A silent roll call was taken, and a quorum was established. The following members were present: Riley Moore (Chair), Chris Heller, Phillip Uy, Phyllis Arnold, Brian Weingart, Clela Harless, Dr. Bonny Copenhaver, Justin Williams and Patrick Smith. The following members were absent: Dr. Daniel Anderson and Marguerite Horvath.

The following consultants and guests attended: Chris Morvant representing Hartford Funds and Tim Fitzgerald representing NEPC, LLC.

The following WVSTO staff members attended: Steve Bohman, Amy Willard, Lindsay Marchio, Amy Hamilton, Karl Shanholtzer, Gina Joynes, Riley Keaton and Elizabeth Liston.

The agenda consisted of the following:

Call to Order – Silent Roll Call

- I. Consideration of the meeting minutes from June 5, 2024
- II. Investment Committee Report
- III. Consideration of the Repeal and Replacement of the Investment Policy Statement
- IV. 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 June 5, 2024, Board of Trustees 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 Brian Weingart and seconded by Chris Heller. 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 is the Investment Committee Report. The Chair recognized Chris Heller, Investment Committee Chair to give the report.

Mr. Heller advised the Investment Committee met this morning at 9:00 am and the first order of business was to approve the minutes from the June 5, 2024 Investment Committee Meeting. He stated the

committee then heard a presentation from Karl Shanholtzer regarding the draft version of the West Virginia Savings Plan Trust Fund Investment Policy (IPS). He further noted after review and discussion, the committee voted to recommend the full board repeal and replace the IPS from March 2023, with the new draft version presented by Board staff.

The Chair asked if there were any questions for Mr. Heller. None were heard. The Chair asked for a motion to accept the Investment Committee Report. Patrick Smith made the motion and Phyllis Arnold seconded the motion. There being no discussion, the Chair polled the members, and the Investment Committee Report was approved as presented.

Agenda Item III.

The Chair indicated the next item on the agenda is the consideration of changes to the West Virginia Savings Plan Trust Fund Investment Policy Statement. The Chair recognized Karl Shanholtzer to give the presentation.

Mr. Shanholtzer advised Treasury staff an NEPC prepared a draft of the West Virginia Savings Plan Investment Policy Statement for the Savings Plan Trust Fund. Hartford Funds also provide suggested changes. He added it is not a red line version due to file issues with the previous Word version of the IPS, so this new version was created as a complete strike and replace.

Mr. Shanholtzer continued by advising this is not a significant overhaul of the IPS. It is more of a “tweaking” or reorganization of the IPS with the clarification of a several items. He noted additional sections were created and information was moved between the sections.

Mr. Shanholtzer gave a brief overview of the notable changes. The biggest updates were in the investment guidelines, benchmarks, performance expectations in section 5. He related that one of the issues in the past was the current IPS language read such that anything that fell below the performance expectations in the 3-year or 5-year or versus peers would automatically end up on a Watch List. The consensus was this was a little loose, so the new language tightens that requirement. The new requirement is that an investment option has to fall below its benchmark for the 3-year and 5-year periods and also perform below median versus peers for the 3-year and 5-year periods. He added this change is to prevent funds from ending up on the Watch List if they are performing bad in the 3-year period but doing fine otherwise.

Mr. Shanholtzer continued by advising Section 7 was added. The Quarterly Exception Report, Watch List and Formal Investment Review are now three defined reports. The Quarterly Investment Review is the report submitted to the Board by the Investment Consultant. The Quarterly Exception Report was added, which is basically anything that doesn’t meet the performance criteria outlined in the IPS. He interjected this is not a judgment of whether the funds are doing good or bad, simply that they do not meet Policy expectations. The funds that do not meet performance expectations will be analyzed and added to the Watch List if there are concerns regarding the investment option. He explained the Watch List are funds that we do have concerns about that need additional review by the Investment Consultant and staff.

Mr. Shanholtzer concluded by advising language has been added to two new sections regarding Board evaluation and what would happen if the Board suspended an investment option due to performance or other issues.

He did advise the Board has no duty to notify participants when an investment option is placed on the Quarterly Exception Report or Watch List and this is very standard language.

Mr. Shanholtzer indicated these were the significant changes to the IPS and he was happy to answer any questions from the Board.

Dr. Copenhagen asked if the goal of the changes was to tighten up the timeframe to be more responsive to underperforming assets. Mr. Shanholtzer said it is to focus our attention on options that really do have some performance issues, whereas before it was loose enough that we could have funds going on and off the list all the time. Dr. Copenhagen asked if the intent was to address underperformance in a shorter timeframe. Mr. Shanholtzer said yes, that if an investment option has underperformance for the 3-year and 5-year versus the benchmark and is below median versus peers in the 3-year and 5-year periods, it will end up on the Quarterly Exception Report which alerts us to the fact that a fund needs to be reviewed. The next step would then be for the staff and the Investment Consultant to evaluate the reason for the underperformance to determine if there is an issue that needs to be addressed. If the answer is yes, it would be moved to the Watch List. Mr. Shanholtzer used the Growth Opportunities Fund as an example of a fund that would be on QER but not necessarily end up on the Watch List because we have a good understanding of the reason for performance. Ms. Joynes reminded the Board that the Board always has discretion to put any fund on the Watch List. Mr. Shanholtzer also confirmed that the Board has always had the authority to put an investment option on the Watch List. Ms. Harless asked if the Board would use something other than performance to put an item on the Watch List. Mr. Shanholtzer said absolutely and used examples of style drift and significant turnover in portfolio management as non-performance types of reasons an investment option could end up on the Watch List.

Hearing no additional statements or questions, the Chair thanked everyone for their due diligence in going through the IPS and commended Mr. Shanholtzer for his explanation of the changes.

The Chair asked if there were any proposed amendments to the draft West Virginia Savings Plan Trust Fund Investment Policy Statement as proposed by Board staff and as recommended by the Investment Committee.

No proposed changes were heard. The Chair asked for a motion to repeal the existing West Virginia Savings Plan Trust Fund Investment Policy Statement adopted in March 2023 and replace it with the draft version explained by Board staff and recommended by the Investment Committee, effective immediately.

Patrick Smith made the motion. The motion was seconded by Celta Harless. Hearing no discussion, the members were polled, and the motion carried.

Other Business & Adjournment

The Chair asked if there was further business to be brought before the Board and none was heard. The next regularly scheduled meeting will be on September 4, 2024. Patrick Smith moved the meeting be adjourned and the motion was seconded by Phyllis Arnold. Hearing no discussion, the members were polled, and the motion carried. The Chair declared the meeting adjourned at 10:15 a.m.

Prepared by Elizabeth Liston
Board Approval Date: 9/4/24

Submitted by:



Riley Moore, State Treasurer & Chair