**MINUTES OF THE MEETING**

**Arkansas Section 529 Plan Review Committee**

Wednesday, February 10, 2016 at 9:00am

Arkansas State Capitol Treasurer’s Conference Room-- Little Rock, AR 72201

A meeting of the Arkansas Section 529 Plan Review Committee (“Committee”) was held on Wednesday, February 10, 2016 at 9:00am in the Arkansas State Capitol Treasurer’s Conference Room, Suite 220. Present at the meeting were Dr. Brett Powell with the Arkansas Department of Higher Education; Director George Hopkins of the Arkansas Teacher Retirement System; Grant Wallace on behalf of Treasurer Dennis Milligan; AR 529 College Investing Plan Executive Director Beth Anne Rankin of the Treasurer’s Office; Emma Willis of the Treasurer’s Office; Legal Counsel John Peace of Dover Dixon Horne, PLLC; Mary James with Vanguard; Dave Ponder with Ascensus College Savings; Suzanne Fetky with Ascensus College Savings; Greg Walker with Thomas & Thomas; and Randy Milligan with Thomas & Thomas.

Grant Wallace had notified the press in compliance with the Freedom of Information Act.

Grant Wallace called the meeting to order at 9:00am. The minutes of the November 17th (4th Quarter) meeting were approved with the motion made by Director Brett Powell and seconded by Director Hopkins. The motion carried, and the minutes were approved.

John Peace updated the Committee on federal legislation that improved 529 plans nationwide. The PATH Act approved the expense of computers as a qualified withdrawal as well as allowing a 60-day time period for refunds to be re-deposited back into a 529 account with no penalty.

Suzanne Fetky presented a power point overview of the marketing highlights from 2015, as well as showcasing the brand new responsive website, which was a ten-month project. Marketing highlights included increased quarterly web traffic, new account growth up by 20% (over 2014); total contribution growth up by 6.77% (over 2014); and increases in uGift, AIP, EBT and Payroll.

Beth Anne opened discussion to the Committee regarding an upcoming comprehensive marketing proposal (to be presented for approval in Q2). Director Hopkins vocalized an enthusiasm for creative outreaches and to make learning about 529 “fun.” Dr. Powell asked about how the categories of media spending would be decided upon, and Beth Anne responded that more research was needed before final decisions were made. Dr. Powell mentioned his experience with social media included a preference to manage the account in-house, and Director Hopkins manages his account personally as well. Beth Anne provided the Calendar of Events, possible 2016 outreaches, the possible 2016-2017 Marketing Strategic Plan and a possible marketing budget that will be revised and presented formally in the 2nd Quarter Committee Meeting.

Beth Anne presented a possible collaboration with the Arkansas Department of Education (approved by Commissioner Key) for a 2016-2017 outreach in all 259 school districts. Details are forthcoming, but preliminary ideas are to sponsor a “Color for College” contest for kindergarten students and award one $529 award in each of the 259 school districts throughout the state.

Beth Anne mentioned the possibility of offering $529 awards (“enter-to-win”) at various conferences throughout the year. Director Hopkins asked if the accounts that are given away are successful (families continuing to invest in the accounts)? Dave Ponder will pull the data. Director Hopkins suggested the idea to perhaps give away more accounts at a lesser value (five accounts at $100/each) to reach more families? Suzanne Fetky said there is value in the higher number to attract more people to enter, as well as generating earned publicity at the local level.

John Peace provided the total administrative account balance as $1,276,735.04 in the three combined accounts of First Security Bank account, Bank of the Ozarks account and Southern Bancorp. Beth Anne said the healthy financial status of the administrative account would allow for a strong marketing effort in 2016-2017, and that proposal will be presented at the Q2 meeting.

Beth Anne presented the Checks and Invoices for approval, which included office expenses, conference registration fees, travel, legal and accounting fees. She requested approval on the (15) $529 awards to be given away at ASU, Arkansas Travelers and conferences (enter-to-win) at a total of $7,935 as well as the Arkansas Travelers 2016 sponsorship for Tuesday Night Baseball Bingo. Director Hopkins moved to approve, and Dr. Powell seconded. The motion passed.

John Peace presented an update that the Southern Bancorp pledging agreement has been increased to $650,000 to accommodate the (5) Black Rock payments (two have been received).

John proposed closing the Trust checking accounts at First Security and Bank of the Ozarks and reinvesting those funds in CDs at those same two banks. The accounts would have a principal balance of not more than $250,000 each, and with maturity dates not exceeding (6) months (at alternating 3-month intervals) and the certificates of deposit may not be withdrawn unless authorized by the Committee and the Trust, and any such withdrawal shall require the signatures of at least (2) of the trustees of the Trust, who are the Arkansas Treasurer of State, the Director of the Arkansas Teacher Retirement System and the Director of the Department of Higher Education. Grant Wallace moved to approve, Director Hopkins seconded, and the motion passed.

Emma Willis presented the Aspiring Scholars Matching Grant report for tax year 2015, which included (49) 2:1 matches and (124) 1:1 matches for a total of 173 matches approved and a budget payout of $81,999.00. Director Hopkins asked about the status of the program and possible recommendations regarding the program, and Emma highlighted some operational oversight challenges involving complex rules and program language as well as complicated manual procedures. Beth Anne explained there were serious concerns about the complexity of the program and that additional Committee discussion should occur during the Q2 meeting.

Dave Ponder reported that EOY GIFT Plan assets were $314,435,113. Contributions were $38,778,492 with funded accounts increasing to 23,781 (an increase of 1,361 accounts). Arkansas resident account owners grew from 52% in 2007 to 78% in 2015, and 75% of the beneficiaries are instate. Average funded account size in 2015 was $13,222.00. Dave reported that 3,886 GIFT Plan account owners linked to their Upromise account, and also highlighted the Ugift program with the average gift size being $539.24 and the total amount given totaling $1,389,634.00. Dave also updated the Committee that iShares is on track to launch their new share classes in late May.

Mary Ryan presented the Vanguard report, including the economic and investment outlook as well as the portfolio and underlying fund performance & fund details. Mary suggested even though the current volatility in the market could be unsettling to the public, it is important to “stay the course” and proceed with our marketing & community outreaches. She highlighted that Vanguard honors a long-term approach, and it is important to maintain a steady hand.

Randy Milligan issued a clean independent audit report for the GIFT Plan and iShares Plan. He suggested to follow up from our meeting with them and to look seriously at the future of the Aspiring Scholars Matching Grant program.

The 2nd Quarter meeting is scheduled for Tuesday, May 10, 2016. There being no further business, the meeting was adjourned at 10:12am.

Respectfully submitted, Beth Anne Rankin, Executive Director