**MINUTES OF THE MEETING**

**Arkansas Section 529 Plan Review Committee**

Tuesday, June 2, 2015 at 9:00am

Arkansas State Capitol Treasurer’s Conference Room, Suite 220

State Capitol Building, Little Rock, AR 72201

A meeting of the Arkansas Section 529 Plan Review Committee (“Committee”) was held on Tuesday, June 2, 2015 at 9:00am in the Arkansas State Capitol Treasurer’s Conference Room, Suite 220, Little Rock, AR 72201, and via telephone conference line. Present at the meeting were Committee Chairman, State Treasurer Dennis Milligan; Dr. Brett Powell with the Arkansas Department of Higher Education; Mitzi Ferguson (official proxy of Director George Hopkins) of the Arkansas Teacher Retirement System; AR 529 College Investing Plan Executive Director Beth Anne Rankin of the Treasurer’s Office; AR 529 College Investing Plan Executive Assistant and Aspiring Scholars Matching Grant Coordinator Emma Willis of the Treasurer’s Office; Communications Director Grant Wallace of the Treasurer’s Office; Legal Counsel John Peace of Dover Dixon Horne, PLLC; Dave Ponder and Derek Delorenzo with Ascensus College Savings; Sheff Faulkner, John Parke, Diane Lumley and Tom Morgan with BlackRock iShares; and Zeke James and Michael Corrigan with Vanguard via teleconference line.

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

The meeting was called to order by Treasurer Milligan at 9:00am, and official introductions were made. The minutes of the March 3rd (1st Quarter) meeting were approved with the motion made by Director Powell and seconded by Ms. Ferguson. The motion carried, and the minutes were approved.

Beth Anne provided an overview of “Phase One” of the 2015-2016 grassroots marketing plan which included the 75-county tour in March and April 2015. Beth Anne highlighted the total cost ($45,430.08) of the 75-county tour, which came in slightly under budget and includes the winners’ pay-out which will occur in September. Beth Anne also previewed the Calendar of Events and the 2015-2016 Marketing Strategy, which includes three separate phases of implementation for the grassroots marketing strategy. She explained that Phase Two focuses on follow-up with all country treasurers, chambers and media as well as return visits to specific counties where invitations have been extended (nine counties so far have already scheduled follow-up visits).

Beth Anne updated the Committee regarding social media and the recent launch of the official twitter account, @Arkansas529. Beth Anne requested committee approval on a $3,750.00 contract (for three months) for Hortus (P.Allen Smith Company) to professionally kick-start and develop the twitter account in order to take it to the next level, since the account currently only has 75 followers. The Committee agreed on both this expenditure and the upcoming radio marketing “blast” that is scheduled for summer 2015 (utilizing the Ascensus marketing commitment of $30,000.00).

Beth Anne provided a list of marketing ideas to be considered in the future, including a cap on matching grant awards, newborn initiative, kindergarten initiative, billboard initiative, sporting events and various event sponsorships. Following a question by Dr. Brett Powell regarding the newborn initiative and the potential cost specifically, Dave Ponder elaborated that it would be important to establish a relationship with the Arkansas Department of Health and to study the implementation techniques and program costs of various other states who have launched similar newborn initiatives. Treasurer Milligan commented that it would be good to determine whether the Arkansas Department of Health already sends out a newborn packet and to request the inclusion of GIFT Arkansas 529 information, and that this could be done now even if we do not have a program as in other states where they provide a $100 or a $500 award for every newborn.

The list of invoices, payments, reimbursements and checks to be written were presented to the board with a motion made by Dr. Powell and seconded by Mitzi Ferguson, and approval was given to write the checks (total expenditures this quarter $17,951.54, including travel reimbursements for Beth Anne Rankin and John Peace, CSPN dues, Dover Dixon Horne quarterly payment, UALR print shop, and the Arkansas School Counselor Association’s summer conference exhibit space).

The next order of business was to approve the FY 2016 budget. Beth Anne explained that the $39,675.00 budgeted for the 75-county drawings pay-out is being rolled over from FY2015 savings from an under-payout from ASMG and leftover marketing money, so the money for those awards is already in the administration account (left over from the FY2015 budget). Dave Ponder reminded the committee that it is sometimes a challenge ensuring that the winners of giveaways actually complete the paperwork to open their account (in order for the money to be wired into the account), and John Peace elaborated that winners will have a total of 5 days after being contacted to complete their paperwork to open their account, or a new winner will be chosen from that county.

Mitzi Ferguson asked for an explanation of the funding of the 529 plans in general, and Beth Anne and Dave explained the built-in asset fee structure. Beth Anne also noted at that time that she would like to move toward a reduction in overall fees, beginning with the possibility of lowering the current rate of 12.5 basis points that the Arkansas administration account requires. Beth Anne stressed that this would be a thoughtful process, as to not jeopardize the strength or financial base of the program.

The Committee gave approval to Beth Anne to visit with Thomas & Thomas regarding the possibility of lowering the cost of their annual audit of the program. The current annual expense is $113,000.00. Coinciding with an effort to reduce overall fees for the program, it was acknowledged that John Peace had significantly reduced his fees in 2014.

After a motion by Dr. Powell and a second by Mitzi Ferguson, the Committee approved Beth Anne’s request for John Peace (at an additional $5,000/year) to once again handle the record-keeping and financial statements, thus providing another layer of accountability and transparency for the 529 office.

Treasurer Milligan moved to approve the FY 2016 budget, and after a second from Dr. Powell, the motion carried and the budget was approved.

John Peace provided an overview of two significant pieces of state legislation, including the ABLE Act 1238 (federal rules to be written this summer), and Act 1255 that enables state employees to designate a portion of their paycheck into their 529 account.

Emma Willis gave a report of the Aspiring Scholars Matching Grant program, detailing the 2014 payout (209 grants awarded = $91,834.00) and the projection for the upcoming 2015 payout (190 grants awarded = $95,500.00). Emma presented an issue regarding errant website language which resulted in two clients requesting grants based on the AGI of the account owner (instead of the parent/guardian of the designated beneficiary). After discussion and at the recommendation of John Peace, it was decided to award the ten matching grants for this year. The language has been corrected on the website so this situation will not occur in the future. It was also discussed to cap the total number of grants in the future, but more thorough discussion is needed, depending on committee interest. Treasurer Milligan moved to approve the report and the awarding of the ten grants, and after a second by Dr. Brett Powell, the Committee approved the motion.

Zeke James, via conference call, gave an overview of the previously-proposed (in 2014) Vanguard International Bond Fund and Short-Term Inflation Protected Securities Funds. Treasurer Milligan made a motion to approve the International Bond Fund and “TIPS,” Dr. Powell seconded the motion and the motion passed.

Sheff Faulkner provided an overview of BlackRock and iShares, including sales, AUM, key statistics (over $288 million and 7,760 accounts as of May 31, 2015), distribution coverage, and Arkansas-specific marketing initiatives. Additionally, he provided a much-anticipated update regarding a new share class for iShares to incorporate additional broker-dealers and enable more advisors to sell the iShares in Arkansas. This did not require committee approval, since the committee previously approved the new share class. Anticipated launch date is December 2015.

Dave Ponder then gave an update regarding the update of marketing collateral (slimline, enrollment packet and website) as well as an overview of the assets in the GIFT Plan to date, totaling over $321 million in 22,950 accounts as of May 31, 2015.

The 3rd quarter meeting is scheduled for Wednesday, August 26, 2015 at 9:00am.

The 2nd quarter meeting was adjourned at 9:56am.

Respectfully submitted,

Beth Anne Rankin, Executive Director

AR 529 College Investing Plans