**MINUTES OF THE MEETING**

**Arkansas Section 529 Plan Review Committee**

Wednesday, April 25, 2018 at 9:00am

Victory Building Conference Room, Suite 275 -- Little Rock, AR 72201

A meeting of the Arkansas Section 529 Plan Review Committee (“Committee”) was held on Wednesday, April 25, 2018 at 9:00am in the Victory Building Conference Room, Suite 275. Present at the meeting were Treasurer Dennis Milligan; Rod Graves, serving as the voting representative for Director George Hopkins of the Arkansas Teacher Retirement System; Grant Wallace with the Treasurer’s Office; Director of 529 Programs and Financial Education Emma Willis; AR 529 Assistant Chris Scott; Jonathan Coleman, and Dr. Markham with the Arkansas Department of Higher Education; Dave Ponder with Ascensus College Savings; John Peace with Dover Dixon Horne; John Park with BlackRock; Mary Ryan with Vanguard; Greg Walker and Randy Milligan with Thomas and Thomas.

The press was notified in compliance with the Freedom of Information Act.

Treasurer Milligan called the meeting to order at 9:00 am and asked for a motion to approve the minutes of the February 7th, 2018 meeting, Rod Graves moved to approve, Jonathan Coleman seconded the motion, and the minutes were approved.

Emma Willis made a report regarding initiatives highlighting the progress on the mobile app, the upcoming Women’s Financial Health Summit, and a relationship with the National Urban League.

Emma recapped that in the 4th quarter meeting last fall, the Board moved to have a study done for a mobile application, which went well. Following the study, the board also approved to proceed with the app for a ‘Version One’. Emma stated that she was now seeking approval for payment to Central 25 for said ‘Version One’. She presented the board with information on the app and its capabilities. Emma explained that the app unveil and soft launch would be coming soon.

Emma continued her report on initiatives by giving a progress report on the Women’s Financial Health Summit, explaining that it is our second year hosting the event. She said that this event will be in Northwest Arkansas this year (Springdale) in an attempt to capture more of the state. Emma detailed the expected number of attendees and the organizations that are partnering in the event. She stated the goal was to start a continuous conversation about what tools and services are in the area to help individuals in their search for financial health and stability.

Emma concluded her report on initiatives by summarizing a request that came from National Urban League. She described the request as a distinct opportunity to partner together. The National Urban League will facilitate through an intern this summer a white paper. Emma stated that this would be an opportunity to ask some very particular questions about what minorities are facing when trying to save for higher education. She stated this helps us facilitate in our goal with listening to the populations’ struggles with saving for higher education.

Emma asked for approval for two awards for the upcoming Women’s Financial Health Summit. The two awards would be seeding $100 in a 529 account. Rod Graves made a motion for awards for the Financial Health Summit, Jonathan Coleman seconded the motion, and the motion carried.

Emma stated that we had a request from the SKIP Program (Summer Knowledge is Power) for a $250 529 account to be awarded in an annual event. Emma stated that the program focuses on inner-city youth. Treasurer Milligan asked for a motion for awards for the Financial Health Summit, Jonathan Coleman moved to approve. Rod Graves seconded the motion, and the motion carried.

Emma asked for approval for a budget proposal she presented to the board for fiscal year 2019. Grant stated to keep in mind that the figures of the budget proposal presented were “maximums” and that Emma does a good job and has a track record of being able to come in under budget and manages the budget well. Rod Graves made a motion to approve, Jonathan Coleman seconded the motion, and it was approved.

Emma Willis presented the checks and invoices for the second quarter of fiscal year 2018 for approval. Grant stated that he needed to note a correction for the MHP invoice due to a missing invoice saying the actual total was $32,490.19. Jonathan Coleman moved to approve. Rod Graves seconded the motion, and the motion carried.

Emma Willis also presented select checks and invoices for the first quarter of fiscal year 2019 for approval. Emma noted they were being presented because these events happen through the course of a normal calendar year, straddling our fiscal year. Jonathan Coleman moved to approve. Rod Graves seconded the motion, and the motion carried.

Emma Willis then presented approval for payment of version one of the mobile application. Dr. Markham made a motion to approve. Rod Graves seconded the motion, and the motion carried.

John Peace with Dover Dixon Horne reported on the budget, stating that the projected expenses would exceed income by $80,000 but stated he believes most of the large expenses have been paid so suspects we will come in close to budget.

A report on the Ascensus College Savings was presented by Dave Ponder which detailed assets, contributions, withdrawals, funded accounts, average funded account size, iShares 529 assets, U-gift and U-promise. Dave stated that there had been market corrections since the last presentation. As of the end of March, the total GIFT assets under management were $398,036,896. The presentation also reflected $12.789 million in year to date contributions, 26,883 funded accounts, with an average account size of $14,806. Dave also reported on the iShares Plan, stating that there was $412,167,871 in assets, 10,857 funded accounts, and an average account size of $37,963. Emma asked a question regarding tracking the age of beneficiaries to anticipate timing of substantial withdrawals, Dave stated that they are tracking that internally and could start including Emma in said reports.

Grant Wallace started a conversation regarding k-12, stating that during the special session, the Governor expanded eligible expenses, asking Dave to take a few moments to explain where the industry was going with those changes. Dave explained that some states have decided not to adopt the changes, some have, and some are still undecided. Dave stated the states that do not adopt will create confusion for the taxpayer when the time comes to file state and federal taxes. Grant then asked what Ascensus is doing internally to start preparing account owners. Dave stated that the sort term is that Ascensus will change the messaging on the websites reflecting the changes, and then within the next six months they will include an option in the withdrawal process to include “k-12” expenses. Dave and John Park made remarks that some states are going through a ‘re-branding’ or modifying their branding to encompass the k-12 changes, and others are not to continue to push the long term benefits.

Mary Ryan with Vanguard made a report highlighting the Portfolio and underlying fund performance, Vanguard’s economic market outlook, and underlying fund details. Specifically, Mary stated that she was pleased to say that the markets continued to be kind to us. The aggressive growth portfolios one year return was up over 20%. Mary echoed Dave Ponder’s comments on market volatility over the last quarter, noting the difference in the one month and three month index of the Aggressive Growth Portfolio with the one month being 1.48% as opposed the three month index at -0.62%. However, the one year index is still at an impressive 14.66%.

John Park then made a report on the iShares Plan. The iShares report went on to highlight broadening iShares plan availability, product structure and price review, as well as marketing strategy. John started the meeting continuing the conversation on k-12, saying that one thing to think about in regards to marketing is that a lot of people that are currently in Coverdells may be better off in a 529 as there are no income requirements and Coverdells seem to be more stagnant when it comes to marketing. John said that they are speaking to a lot of advisors who had clients that had Coverdells at one time and are now moving into 529’s. He stated advisors are receiving numerous questions regarding k-12 from clients as they adapt to the changes. John stated that as of the end of March, the total assets for Arkansas residents were at $26.7 million across 46 firms in Arkansas and 218 financial advisors. He continued by saying that there are 1,522 accounts with an average size of $17,575. John stated that they are very close to an agreement with Merrill Lynch.

The date for the 3rd Quarter meeting of 2018 will be determined at a later time.

There being no further business, Treasurer Milligan moved to adjourn the meeting and the meeting adjourned at 9:44am.

Respectfully submitted,

Emma Willis, Director of 529 Programs and Financial Education