**MINUTES OF THE MEETING**

**Arkansas Section 529 Plan Review Committee**

Tuesday, February 7, 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 Tuesday, February 7, 2018 at 9:00am in the Victory Building Conference Room, Suite 275. Present at the meeting were Treasurer Dennis Milligan; 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, serving as the voting representative for 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 9:02 am and asked for a motion to approve the minutes of the November 14th, 2017 meeting, Jonathan Coleman moved to approve, Director George Hopkins seconded the motion, and the minutes were approved.

Emma Willis made a report regarding initiatives highlighting the University of Arkansas systems, stating that working with the school of Social Work on the Marshallese population initiated a conversation that led to the Chancellor wanting to make the 529 plan a benefit for all the employees in the University System. Emma stated that the number of employees is over 6200 employees and they are also looking to do a match component making for the employees making $37,000 or less. The University Systems want to put $100 in 529 accounts for those employees every year. The University System has a pool of money that they wanted to allocate towards that effort.

Emma continued her report on initiatives reporting that they are also looking to work with Arkansas State University, the chancellor also has a heart for financial literacy and education and approached Emma about potentially doing a peer coaching initiative for incoming freshmen this fall. Emma sated that that was something they wanted to get approval for as well.

Emma asked for approval for a strategic partnership with the University of Arkansas. There was a brief overview included in the meeting deck but Emma highlighted that with the University wanting to make us part of their strategic plan, that the University waned to offer a resource center on 529’s at the University. The University of Arkansas also wants to research the socioeconomic data and look into that information to identify the behavior behind and savings of 529’s, amongst other things. Emma stated that her suggestion is that we do engage in this relationship with the University of Arkansas. Emma said that the chancellor has made it clear that he wants to see this move forward and wants to use his position in the Northwest Arkansas Council for economic development to help further the employer match initiative around 529’s.

Treasurer Dennis Milligan asked for a motion to approve the relationship with the University of Arkansas as Emma described it. George Hopkins moved to approve the relationship as presented. Jonathan Coleman seconded the motion, and the motion carried.

Emma provided highlights on the Arkansas State University Scarlet to Black initiative. Emma stated that she would like to seek approval for us to engage in this relationship and then separately get approval to pay a consultant to make the initiative possible.

Emma stated that this relationship bubbled up through the Chancellor’s desire to bring financial literacy to his students. Emma stated students go to school and graduate with a ton of debt. One of the things the Chancellor wants to do is make sure the kids understand what it is to have credit cards, what those student loans actually mean. One way that we could do this is initiating something like peer coaching.

Emma stated that she found a consultant that has all the credentials of financial planning and has a robust history of making these things possible. Emma stated that she would like approval to initiate this relationship as well.

Upon a question from Director George Hopkins regarding the structure of the program, Emma clarified that the consultant would act in the capacity of building the framework out for this program and get the staff and faculty ready to initiate the program and that the consultant would not be doing any counseling himself.

Director George Hopkins made a motion to approve the Scarlet to Black Program in relationship with Arkansas State University. Jonathan Coleman seconded the motion, and the motion carried.

Emma Willis then went into detail for approval for consultant services. Emma stated that this was a separate request because this is a $40,000 package. She stated that what she would like to do is asked the board members to consider providing a portion of the funds because the 529 plan would like to own this program, allowing us the ability to pass it off to all the other universities and not just to Arkansas State University.

Director George Hopkins stated that all of the Arkansas Teacher Retirement System is unable to provide any funds as they can’t spend teacher’s trust fund money to fund an outside program.

Jonathan Coleman stated that Arkansas Department of Higher Education was in the same situation and could also not provide any funding.

Emma stated that she understood the position of Arkansas Teacher Retirement System and Arkansas Department of Higher Education.

George Hopkins moved with approval of the $40,000 expenditure in developing the Scarlet to Black program with the consultant. Jonathan Coleman seconded the motion, and the motion carried.

Emma Willis brought forward sponsorship requests, including the Clinton Presidential Center. She stated that the Clinton Presidential Center is requesting $25,000 partnership with a focus on education. The partnership includes title sponsor for all of the back to school backpack initiatives, and anything that has to do with financial literacy. Emma stated this would start in the summer and run through the fall, reaching the five to six thousand kids that come through there in the course of the year.

Treasurer Dennis Milligan asked if there was a motion. Director Hopkins moved to approve the relationship with the Clinton Presidential Center and the expenditure of $25,000. Jonathan Coleman seconded the motion, and the motion carried.

Emma Willis presented the last sponsorship request from Ozark Mission Project, an initiative through the United Methodist Church. Emma stated that we sponsored them last year and that this is one that is easy because the church is good at collecting collateral from 529 and placing those materials within all the United Methodist Church’s around the state.

Jonathan Coleman moved to approve the sponsorship, Director George Hopkins seconded the motion, and the motion carried.

Emma Willis informed the board that she is hosting the second Financial Health Summit this weekend at Our House that will also target the lower to middle income household with a panel of experts in financial health about how to plan for your financial future, with a keynote coming from Representative Fredrick Love and was looking to secure funds for food and refreshments. Emma stated that she was looking for approval to spend $350 on the refreshments.

Director George Hopkins moved to approve up to $500, should we need it. Jonathan Coleman seconded the motion, and the motion was passed.

Emma Willis presented the checks and invoices for approval. Director George Hopkins moved for approval of the checks and invoices to be paid as presented. Jonathan Coleman seconded the motion, and the motion was passed.

John Peace with Dover Dixon Horne reported on the budget, stating that the financials look good, noting that we received another $150,000 check from BlackRock and stated that there would be one more payment next January. John stated that everything looks within 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, and U-gift and U-promise. Dave stated that the markets have been really good since January, with the exception of the volatility within the last few days. As of the end of January, the total trust has crossed $800 million in assets. The total GIFT assets under management were $406,205,767. The presentation also reflected $6.57 million in year to date contributions, 26,649 funded accounts, with an average account size of $15,243. Dave also reported on the iShares Plan, stating that there was $419,683,713 in assets, 10,554 funded accounts, and an average account size of $39,765.

Grant Wallace made a report on Special Language saying that with the tax reform that was passed in December, the 529 took a deep dive into what the current state law is and the implications that it would have. Right now state law matches federal law as of Jan 1st, 2017. The tax reform being passed in December of 2017, didn’t take any of the 529 changes in the reform into account. Right now, the expenses of k-12 are not eligible expenses for Arkansas. The 529 program has received numerous questions about this. The 529 program has reached out to a legislator who is looking at special language that would change the dates to Jan 1st, 2018 which would then capture the changes in the federal tax reform. The effective dates that are referenced in our statute to federal statues would bring it in line with what was passed in December, making k-12 an eligible expense. Grant Wallace stated that it could be an easy solution, along with a couple of definitions that would need to be adjusted as well. The 529 program would have to take a revision in the 2019 general session to make all the changes permanently put in place.

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 as of late. Mary went on to say that something Vanguard has noticed is that 529 account owners do not have the ‘knee-jerk’ reactions to market fluctuations as others do.

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 stated that strategy remains focused on onboarding more distribution partners. As of the end of January, iShares had more than $420 million in assets under management nationwide since inception, and the plan has been growing. John mentioned that by the end of December, the total assets under management for Arkansas residents alone was $24.8 million, with 48 firms and 197 Financial Advisors on board with an average account size of $18,484. BlackRock is encouraging firms that do not yet have selling agreements for iShares to pursue those agreements.

Greg Walker and Randy Milligan with Thomas and Thomas reported on the most recent audit of both the AR 529 Gift plan as well as the iShares plan. Randy Milligan stated that both reports were clean with no findings and no issues. Randy stated that with in the Gift plan audit, on June 30, 2016 there was $334,293,502 in total assets as compared to $406 million in January of 2018. Randy went on to note that while the contributions were up $5 million between June of 2016 and June of 2017, the withdrawals were up as well ($28 million in June of 2017 as opposed to $23 million in June of 2016), showing that people are using the plan, and it continues to grow. Randy continued his audit report, turning the attention toward the iShares portion of the audit highlighting the total assets in June of 2017 at $381 million, as opposed to $420 million in January of 2018, a substantial growth again. Randy stated that the iShares program is starting to age, and with that more people are becoming aware of it, with withdrawals in June of 2017 showing $28 million as opposed to $16 million in June of 2016, again showing use of these accounts. Regardless of the withdrawal increase, the program has grown over $54 million in a year’s time. Randy Milligan stated that both the plans are doing very well.

The date for the 2nd Quarter meeting of 2018 will be May 9th, 2018 at 9:00am.

There being no further business, Treasurer Milligan moved to adjourn the meeting and the meeting adjourned at 10:03am.

Respectfully submitted,

Emma Willis, Director of 529 Programs and Financial Education