**MINUTES OF THE MEETING**

**Arkansas Section 529 Plan Review Committee**

Thursday, November 12, 2020 at 10:00am

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

A meeting of the Arkansas Section 529 Plan Review Committee (“Committee”) was held on Thursday, November 12, 2020 at 10:00am in the Victory Building Conference Room, Suite 275 and via Zoom virtual meeting. Present at the meeting were Treasurer of State Dennis Milligan; Clint Rhoden, Director of the Arkansas Teacher Retirement System; Alisha Lewis, serving as proxy for Arkansas Department of Higher Education; Grant Wallace, Chief Deputy Treasurer; Fran Jansen, Director of 529 Programs and Financial Education; Thomas Burchfield, Manager, Financial Education Programs; Chris Scott, Manager, AR 529 Programs; Stacy Peterson, Communications Director for the State Treasurer’s office; Dave Ponder with Ascensus College Savings; John Peace with Dover Dixon Horne; John Park with BlackRock; Joy Slabaugh with Vanguard; Greg Walker and Pattie Weed with Landmark.

Treasurer Milligan called the meeting to order at 10:01 am.

Treasurer Milligan then asked for a motion to approve the minutes of the June 11, 2020 meeting. Clint Rhoden moved to approve, Dennis Milligan seconded the motion, and the minutes were approved.

Fran Jansen gave her director’s report, updating the committee on the Sootchy and College-Backer meetings discussed in the prior board meeting, Fran stated conversations have progressed and she will keep the committee updated as needed. Other items reported included a meeting with the CFO of United Cerebral Palsy of Arkansas on offering 529 plans as an employee benefit, plans to record a short video with the Treasurer as an introduction to the Arkansas 529 plan, and a preview of a marketing and advertising schedule that includes radio, tv, direct mail, print, and social media.

Fran then presented checks and invoices paid during third quarter of fiscal year 2021 and pending invoices for approval. Clint Rhoden moved to approve, Dennis Milligan seconded the motion, and the checks and invoices were approved.

Grant presented the proposed fiscal year 2021 budget for approval, noting adjustments made from fiscal year 2020 and highlighting anticipated increase in income. Clint Rhoden moved to approve, Dennis Milligan seconded the motion, and the budget was approved.

John Peace then reported on the budget for the third quarter of fiscal year 2021, stating that the income was ahead of budget for the first four months of the fiscal year. Expenses were in-line with the budget, only exceeding income by a total of $606. He concluded by stating that at the end of October, there was a total of $116,216.47 available in the administrative accounts.

A report from Ascensus College Savings was presented by Dave Ponder. He highlighted details on assets, contributions, withdrawals, funded accounts, average funded account size, iShares 529 assets, U-gift and U-promise. Dave stated that as of October 31, the total GIFT assets under management were $481,303,054, but as of yesterday (11/11/20) the plan had actually reached over half a billion dollars for the first time. The presentation also reflected $40.6 million in year-to-date contributions, 30,894 funded accounts, with an average account size of $15,579. Dave also reported on the iShares Plan, stating that there was over $526 million in assets, 14,357 funded accounts, and an average account size of $36,656.

Joy Slabaugh with Vanguard gave a report on market and portfolio performance as well as a new investment option the committee could choose to adopt, the “Target Enrollment Portfolio.” She stated the new portfolio allocations are adjusted every quarter, providing for a smoother transition, and making investment decisions easier for the account owners by giving one option based on what year the child is enrolling in school. She stated that there had been a lot of volatility in equities with some quarters posting gains and others reporting losses, but that overall, there was strong growth in equities for the year. She said fixed income has done well this past year, helped by interest rates. Overall, she said that Vanguard expects the current volatility to continue and will show the importance of diversified portfolios like ours.

John Park reported on the iShares Plan, stating that assets for Arkansas account owners had grown in by $48 million; the total number of financial advisors offering the plan in Arkansas had grown to 357 and that there were currently 2,972 Arkansas owned accounts with an average account size of $16,256.

Pattie Weed of Landmark introduced Greg Walker who then reported on the 2019 GIFT plan audit that Landmark completed. Greg said that Landmark was able to conduct an on-site audit at Ascensus and talked to Vanguard throughout the process. He stated the audit report itself was clean and found no issues. He stated that in October of 2018 there was a glidepath breakout that offered six new portfolio options. This was tested in detail on the investment and participant side and it was found that the transition was a success. Next, Greg reported that the fee audit on the accounts came out clean, as did the iShares plan audit. He closed by reporting that Landmark tested certain 529 accounts selected at random, and that those findings came back clean.

Pattie Weed then presented the 2021 engagement letter for consideration, noting that it is a tri-party agreement to be signed by Landmark, the Committee, and Ascensus. Pattie outlined the responsibilities that the parties hold within the agreement and what aspects are audited. Clint Rhoden moved to approve, Dennis Milligan seconded the motion, and the engagement letter was approved.

Fran Jansen then briefed the committee on new business, sharing that the annual MorningStar rating report showed an increase in the Arkansas 529 plan from ‘negative’ to ‘neutral’ and was pleased with the accolades from MorningStar.

Treasurer Milligan noted that he was very pleased with everything that Fran has brought to the table as the Director of the Arkansas 529 programs and financial literacy, and that our numbers support those sentiments.

The proposed dates for the first and second quarter meetings of 2021 were presented to the committee for discussion at a later time.

There being no further business, Treasurer Milligan moved to adjourn the meeting, which was adjourned at 10:45am.

Respectfully submitted,

Fran Jansen, Director of 529 Programs and Financial Education