**MINUTES OF THE MEETING**

**Arkansas Section 529 Plan Review Committee**

Tuesday, March 16, 2021 at 10:00 AM

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, March 16, 2021 at 10:00 AM 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; 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; Julia Ward with Vanguard; and, Greg Walker 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 November 12, 2020 meeting. Clint Rhoden moved for approval; Dennis Milligan seconded the motion, and the minutes were approved.

Fran Jansen gave the director’s report, updating the committee on a 529 awareness survey that was sent to targeted new parents and grandparents in Arkansas. Recipients’ email addresses were purchased from Data Axle marketing group. Fran reported that to-date 1,400 completed surveys had been received which allowed for a 95% confidence level that the results suggested a good representation of the two groups. She explained that the survey results would help us develop future marketing messages to these two populations. Fran mentioned that this survey is part of a broader five-year communications plan for the 529 Plan and that she would share the results of the survey at the next board meeting. Next, Fran reported that conversations with Sootchy (college savings app) had resulted in the development of a pilot program with Lighthouse Charter School in NLR. Sootchy had secured funds to seed Arkansas 529 accounts for the entire student body, with Sootchy acting as a ‘financial advisor’ for Lighthouse. Fran also mentioned that with this framework now in place, other organizations could do something similar. Dave Ponder with Ascensus interjected that they waived the $500 enrollment fee typically required of opening an advisor-sold plan. Fran concluded her report by mentioning that she had received a call from the Little Rock Mayor’s office regarding an Early Childhood Education Initiative that they are considering whereby the City would seed a 529 account for every child in kindergarten in the Little Rock School District.

Grant Wallace followed with an update on legislative amendments the Treasurer’s office was working to have adopted during the 93rd general session. While the state legislation needed only to make a technical correction to bring it in line with the IRS section 529 (where qualified withdrawals could also be made for student loan repayment and apprenticeship programs), Grant explained that the Republican Women’s Caucus had expressed great excitement for the program and wanted to assist in bringing more attention to the 529 plan. Part of their effort included changing the name of the plan to the “Brighter Future Fund”. The name change as well as the technical correction are now part of the bill that will be run. Grant stated that the fiscal impact was determined to be $28,000 and that our office does not anticipate any opposition.

Next, Fran presented for approval checks and invoices paid during the third quarter of fiscal year 2021. Clint Rhoden moved for approval; Alisha Lewis seconded the motion. The checks and invoices were approved.

John Peace then reported on the budget for the third quarter of fiscal year 2021, stating that the income was ahead of budget, partially because of the market ‘run-up.’ All expense items were currently under budget with the exception of scholarships and grants. John stated that as of the end of February, there was a little over $120,000 between the two administrative accounts.

Greg Walker with Landmark reported on the 2020 GIFT and iShares plan audits that his company had recently completed as well as a five-year trend analysis. Greg outlined Landmark’s responsibility in relation to the financial statement audit and reported that both the GIFT and the iShares audits were “clean audits.” He explained that in spite of the pandemic, Landmark was able to conduct a virtual walk-through, during which no compliance issues were identified. Greg continued by discussing compliance with ethics requirements, qualitative aspects of the accounting practices, basic financial statement disclosures, and other features of the audit. During his report on the five-year trend analysis, Greg highlighted the $136 million increase in net position during the last five years for the GIFT Plan, a

$180 million increase for the iShares Plan, and net increases in contributions, withdrawals, and active accounts across both plans.

The next report came from Dave Ponder with Ascensus College Savings. Dave reported on assets, contributions, withdrawals, funded accounts, average funded account size, iShares 529 assets, U-gift and U-promise. He stated that as of February 28, the total GIFT assets under management were $536,433,287. He noted that the GIFT plan received $54.88 million in year-to-date contributions, had a total of 31,636 funded accounts, with an average account size of $16,956. Dave also reported on the iShares Plan, stating that nationwide there was over $604 million in assets, 14,734 funded accounts, with an average account size of $41,056.

Julia Ward with Vanguard gave a report on market conditions and a review of the age-based portfolios. She stated that Vanguard continually reviews the portfolios and runs multiple qualitative and quantitative processes to ensure that the portfolios are delivering the correct balance of risk return. Julia said that despite their slightly lower 10-year return forecast, they still believe the global portfolios will continue to out-perform domestic portfolios, thus recommending no changes be made to the portfolios. Next, Julia mentioned the new glidepath option and its benefits for the account owners. She clarified that she was not suggesting a change, but rather was offering a brief explanation should the committee be interested in adopting the glidepath option in the future. Reporting on the economic outlook, Julia highlighted that for the fourth quarter, Vanguard continued to see growth outperform value, and that U.S. equities continued to outperform non-U.S. equities. Julia stated that with sector performance, industries dependent upon consumer-facing businesses suffered more because of the pandemic. She then presented three different economic scenarios for 2021 based on recovery and ability to deliver the vaccine effectively. Speaking about age-based portfolio performance, Julia reported that overall, the portfolios performed as expected, but that the “equity heavy portfolios” did experience some performance differential at the end of the first and second quarters. Julia finished her report by stating that the one- and three- month return rates appear to be returning to normal.

John Park reported on the iShares Plan, echoing Julia’s comment on market volatility and stating that assets for Arkansas iShares account owners had grown by about $55 million; the total number of financial advisors offering the plan in Arkansas had grown to 366 advisors, and that there were currently 3,065 Arkansas-owned accounts with an average account size of $18,039. John also mentioned that research was showing that people who had the resources to save before the pandemic, continued to save throughout the pandemic, and sometimes at an even higher rate.

Fran Jansen then briefed the committee on new business, sharing a potential date for the next meeting of Tuesday, June 8th.

Treasurer Milligan stated that he was very happy with the work being done by the 529 staff and committee as well as the wonderful news shared in today’s meeting. He commented that he is happy with the present and future growth of the 529 plan, and its ability to help the children of Arkansas further their education.

There being no further business, Treasurer Milligan moved to adjourn the meeting, which was adjourned at 10:48 AM.

Respectfully submitted,

Fran Jansen, Director of 529 Programs and Financial Education