**MINUTES OF THE MEETING**

**Arkansas Section 529 Plan Review Committee**

Tuesday, November 17, 2015 at 9:00am

Arkansas State Capitol Treasurer’s Conference Room, Suite 220 -- Little Rock, AR 72201

A meeting of the Arkansas Section 529 Plan Review Committee (“Committee”) was held on Tuesday, November 17, 2015 at 9:00am in the Arkansas State Capitol Treasurer’s Conference Room, Suite 220, Little Rock, AR 72201. Present at the meeting were Committee Chairman, State Treasurer Dennis Milligan; Dr. Brett Powell with the Arkansas Department of Higher Education; proxy Clint Rhoden on behalf 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; Communications Director Grant Wallace of the Treasurer’s Office; Legal Counsel John Peace of Dover Dixon Horne, PLLC; Zeke James with Vanguard; Sheff Faulkner with iShares BlackRock and Dave Ponder with Ascensus College Savings.

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

Treasurer Milligan called the meeting to order at 9:02am. The minutes of the August 20th (3rd Quarter) meeting were approved with the motion made by Director Brett Powell and seconded by Clint Rhoden. The motion carried, and the minutes were approved.

Grant Wallace presented a report on the 75-County Drawings event held at the Arkansas State Capitol for the 75 County Winners on September 16, 2015. Seventy-two of the seventy-five winners successfully opened their accounts by the deadline, & twenty-two winners were present.

Grant Wallace provided an update on ABLE, specifying that we are still waiting for the U.S. Treasury to issue final rules & regulations before moving forward with the Arkansas program.

Beth Anne Rankin provided copies of the letter of engagement from Thomas & Thomas, advised the Committee the audit process has begun and that the office is working to provide the materials requested. A report should be ready for presentation by the 1st Quarter meeting in 2016.

Beth Anne updated the Committee on the 2015 Calendar of Events and Marketing efforts, including the end-of-year direct mail postcard that will be sent to all 17,616 Arkansas account owners, 519 unfunded account owners, 2,000 internal database prospects as well as 20,000 potential prospects secured from a list-buy. Beth Anne reviewed information regarding the new website (launch date January 2016), new slimline flyer, new enrollment brochure, twitter account as well as statewide radio, email and direct mail outreaches for 2015. Using an average of three stops per county during the 75-county tour as well as follow-up community visits, Beth Anne estimated the Arkansas 529 office made a total of 282 outreaches in 2015. Dr. Powell suggested to Beth Anne that she also include university alumni offices among her stops.

Beth Anne advised the Committee that the 2016 Strategic Marketing Plan would be comprehensive, in order to adequately promote the GIFT Plan and the iShares Plan in the new year. Beth Anne said she would have a specific proposal in place for approval in February.

Dave Ponder gave an overview of strong metrics regarding increased website traffic and increased use of the website, including new visits per day up 48%, & total repeat visits up 67%.

The Treasurer presented the list of checks and invoices for approval. Dr. Powell moved to approve the list, and Clint Rhoden seconded. The motion passed.

John Peace provided a report of the budget, which included a proposal for “pledging” by Southern Bancorp. Pattie Weed with Thomas & Thomas recommended the pledging procedure to secure any amount of funds that exceed the FDIC-insured amount of $250,000. Currently, the Southern Bancorp state administration account exceeds the FDIC amount, as funds have accumulated while awaiting the final decision regarding the potential pricing reduction. Southern Bancorp will pledge an additional $400,000.00, and will send monthly updates. Dr. Powell moved for approval, seconded by Clint Rhoden, and the motion carried.

John Peace led a discussion regarding potential modifications to the Aspiring Scholars Matching Grant program. These potential modifications would ensure a more predictable budget and could include a potential cap of $100,000.00, which might include a single 1:1 match for all households with AGI of $40,000 and below. However, no changes will be made before the 2016 enrollment process begins in January, and a more formal proposal will be presented at the first quarter meeting in 2016, so that thoughtful consideration may be made prior to any changes.

John Peace presented the program management agreement Amendment No. 6 to the GIFT Plan, which would reduce the pricing from a total of 75 bps to 57 bps. Ascensus & Vanguard agreed to reduce their basis points from 62.5 to 50 bps, & the Arkansas administration fee will be reduced from 12.5 to 7.0 bps. Dave Ponder stated there is also a break point at $350 million AUM, whereby Ascensus will drop their basis points by an additional 4 points. Additionally, the $30,000/annual marketing commitment will include a 3% escalator each year. Clint Rhoden moved to approve the amendment, Dr. Powell seconded, and the motion was approved.

John Peace presented the program management agreement Amendment No. 3 to the iShares Plan, which had been discussed and approved previously. This amendment clarifies that the Arkansas staff will have input in the marketing outreach that is done with the $200,000 annual marketing commitment by BlackRock in the state each year. Dr. Powell moved to approve the amendment and Clint Rhoden seconded the motion. There being no further discussion, the motion passed.

Dave Ponder explained the GenStar Capitol/Aquiline acquisition of Ascensus and requested the letter of consent to be signed in order to formalize the procedural process. Clint Rhoden made a motion to approve the acquisition consent request, Dr. Powell seconded, and the motion carried.

Dave Ponder presented the GIFT Plan report. Assets are over the $315 million level; over $25 million in contributions, which is a $1,734,759.00 increase over 2014; and 86% qualified withdrawals. Funded accounts stand at 23,514, which is a1,094 account increase from 2014. Average funded account size is $13,409.12. Dave also included a summary of UPromise Rewards (over 100,000 Arkansas members) and UGift program, which has also been incredibly successful.

Sheff Faulkner provided an iShares/BlackRock report to the Committee regarding the new A and Q share classes, which will be launched in late May 2016. BlackRock is working with distribution partners (Morgan Stanley, UBS, Edward Jones, et al.) to communicate and introduce them to the iShares plan, and will work with Beth Anne on marketing in Arkansas.

Zeke James presented an economic and market overview as well as recommendations on behalf of Vanguard, including increasing (from 20% to 30%) international bond allocation, increasing (from 30% to 40%) international equity allocation and replacing the prime money market fund with Stable Value Investment. Dr. Powell made the motion to approve the recommendation, Clint Rhoden seconded, and the motion carried.

It was noted the next Committee meeting is scheduled for Wednesday, February 10, 2016. There being no further business, the Treasurer adjourned the meeting at 10:05am.

Respectfully submitted, Beth Anne Rankin, Executive Director