**MINUTES OF THE MEETING**

**Arkansas Section 529 Plan Review Committee**

**Tuesday, March 3, 2015 at 9:00am**

**Arkansas State Capitol Treasurer’s Conference Room, Suite 220**

**State Capitol Building, Little Rock, AR 72201**

A meeting of the Arkansas Section 529 Plan Review Committee (“Committee”) was held on Tuesday, March 3, 2015 at 9:00am in the Arkansas State Capitol Treasurer’s Conference Room, Suite 220, Little Rock, AR 72201, and via telephone conference line. Present at the meeting were Committee Chairman, State Treasurer Dennis Milligan; Gail Bolden (Official Proxy of Director George Hopkins) of the Arkansas Teacher Retirement System; Director Dr. Brett Powell with the Arkansas Department of Higher Education; AR 529 College Investing Plan Executive Director Beth Anne Rankin of the Treasurer’s Office; AR 529 College Investing Plan Executive Assistant and Aspiring Scholars Matching Grant Coordinator Emma Willis of the Treasurer’s Office; Communications Director Grant Wallace of the Treasurer’s Office; Legal Counsel John Peace of Dover Dixon Horne, PLLC; Randy Milligan and Pattie Weed with Thomas & Thomas LLC; Dave Ponder with Ascensus College Savings; and Zeke James with Vanguard. Mr. Frank Chism with Vanguard joined the meeting via teleconference line.

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

The meeting was called to order by Treasurer Milligan at 9:02am. The minutes of the January 28th meeting were approved with the motion made by Gail Bolden and seconded by Dr. Powell. The motion carried, and the minutes were approved.

The first official item of business was to review the itinerary, budget & marketing of the upcoming “529 County Drawings Tour” that Beth Anne Rankin would be launching on Friday, March 6th (postponed from the original date of Wednesday, March 4th due to pending inclement weather) to promote the GIFT Arkansas 529 plan. A detailed overview was reviewed by the Committee including the total budget of $46,115.58, which included the financial amount of the 75 county awards, hotels, promotional products (t-shirts & mugs) and meal expenses. Beth Anne Rankin provided the Committee with an overview of the tour and reminded the Committee that the awards would actually be awarded in FY 2016. Rankin emphasized the desire to build statewide contacts, heighten public awareness and provide the $529.00 financial award in each county as a magnet to attract interest and spark participation. John Peace provided the legal Rules of Participation and explained the details of the County Drawings, entry forms and time of response for Winners to accept their award. Dave Ponder offered the assistance of Ascensus with the phone calls or notifications of the 75 County Drawings Winners. Gail Bolden questioned the extensiveness of the county visits and the staff needed to execute the schedule. Rankin explained that she would personally visit all 75 counties and that Emma Willis would be joining her on trips that originate from and return to Little Rock. Dr. Powell moved to approve the County Drawings Tour and Gail Bolden seconded. After Dave Ponder offered to assist on the Tour if needed, the motion carried.

The next item of business included reviewing the upcoming 3-month Calendar of Events for the 529 Office. Rankin emphasized that a priority would be creating an internal database based on the contacts made while on the tour or while participating in community events.

Emma Willis then gave a report on the Aspiring Scholars Matching Grant Program that had an official pay-out of $91,334.80 for 2014. This pay-out being less than in years past (by $31,000.00), Emma explained that quite a number of participants had reached their 5-year maximum participation level. It was noted that ASMG would also be a focus of the upcoming County Drawings Tour and that efforts would continue to prioritize outreach for this program. Dave Ponder asked about the process in place to ensure enough funding to meet the demands of the ASMG pay-outs each year and if there were any other funding mechanisms in place to meet the financial demands if needed. It was discussed that to date, the fees generated have always covered the ASMG pay-out, and no additional funding mechanisms have been required.

At that point in the meeting, Treasurer Milligan introduced the new Committee member, Director Dr. Brett Powell of the Arkansas Department of Higher Education. Dr. Powell was recognized and welcomed to the Committee and at that time it was approved and acknowledged that Dr. Powell would be authorized for signature and check-writing capacities on the Arkansas Section 529 Plan Review Committee’s official checkbook.

Under Old Business, several reports were presented, including John Peace who offered detailed explanation regarding pending legislation that could potentially affect the 529 Plan. He included an overview of HR529 on the federal level which would allow the expense of computers as a Qualified Withdrawal, the re-depositing of funds when a student withdraws due to emergencies, and a simplification of the distribution aggregations regarding 529 accounts. He also mentioned two state-level pieces of legislation, one being a technical one (HB1427) that updates Arkansas statutes to reflect changes in federal IRS code, and the second piece of legislation being Rep. Julie Mayberry’s bill that would implement disability 529 accounts in compliance with the federal ABLE Act.

The next report was presented by Dave Ponder from Ascensus College Savings. He updated the Committee that as of Monday, March 2nd, the GIFT AR 529 Plan had $315,800,00.00 assets under management (a new high) and continues to show steady growth. The low point was $128,000,000 shortly after the original conversion from Merrill Lynch, so the growth has been impressive. There has been an 8.4% increase in 2014 over 2013. Additionally, 93.5% of withdrawals are Qualified Expenses, which reinforces that the accounts are being used for the purpose for which they were designed – higher education. Dave did mention the existence of unfunded accounts that remain on the books even though the Account Owners may never have actually funded them. The average age of an Arkansas beneficiary is 12.5 years, and the average age of a new designated Arkansas beneficiary is 6.7 years old. Dave mentioned that Ascensus is formatting a new metric where we will be able to see any particular impacts (county-by-county) from the 75-County Drawings tour.

The next report was presented by Zeke James from Vanguard Investments. After a brief overview of the 2014 calendar-year returns of GIFT AR 529, he was joined by Frank Chism via teleconference who gave a more detailed explanation of the underlying fund performances and investment trends. Frank Chism, Investment Analyst of the Vanguard Portfolio Review Department, presented analysis of the market and economy and comparisons from 2013 and 2014. Frank emphasized the consensus that the US Market is back on track but they are still watching wage growth (which is still stagnant). Frank mentioned that the concern was more in the European markets and that they are watching those markets closely. He also mentioned the perception that interest rates would probably rise at some point this year. Zeke concluded the Vanguard presentation by referencing enhancements to the Glide Path as well as a potential discussion of the International Bond Markets and said that he would follow up with Beth Anne.

The final report was presented by Randy Milligan and Pattie Weed from Thomas & Thomas LLC Accountants. Randy emphasized that the Section 529 Plan received a clean audit for both the GIFT AR 529 Plan and the iShares Plan. Pattie also emphasized that Thomas & Thomas would also like to serve as a resource for the 529 Committee due to their ten-year history auditing 529 Plans (they audit a total of nine states).

After a reminder that the 2nd Quarter Plan Review Committee Meeting would be held on Tuesday, June 2nd at 9:00am and there being no further business, Treasurer Milligan concluded the meeting at 9:53am.

Respectfully submitted,

Beth Anne Rankin, Executive Director

AR 529 College Investing Plans