**MINUTES OF THE MEETING**

**Arkansas Section 529 Plan Review Committee**

Tuesday, May 10, 2016 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, May 10, 2016 at 9:00am in the Victory Building Conference Room, Suite 275. Present at the meeting were Treasurer Dennis Milligan; Dr. Brett Powell with the Arkansas Department of Higher Education; Gail Bolden, serving as the voting representative for Director George Hopkins of the Arkansas Teacher Retirement System; Grant Wallace of the Treasurer’s Office; AR 529 College Investing Plan Executive Director Beth Anne Rankin of the Treasurer’s Office; Emma Willis of the Treasurer’s Office; Legal Counsel John Peace of Dover Dixon Horne, PLLC; Sheff Faulkner with BlackRock iShares; Dave Ponder with Ascensus College Savings (via teleconference); and Mary Ryan with Vanguard (via teleconference).

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

Treasurer Milligan called the meeting to order at 9:00am. The minutes of the February 10th (1st Quarter) meeting were approved with the motion made by Gail Bolden and seconded by Dr. Brett Powell. The motion carried, and the minutes were approved.

John Peace provided a federal legislation update with potential modifications to 529 plans across the country. The proposed legislation would allow rollover capacity for unused 529 funds into a Roth IRA, a potential $1,000 income tax credit and an employer incentive to match contributions made into employees’ 529 accounts. Sheff Faulkner and John also shared with the Committee Arkansas does not have a tax carry-forward provision but it would be nice to have state legislation.

John Peace provided the FY2016 budget report, noting the price reduction has occurred and the GIFT Plan fee to the state (reduced from 12.5 bps to 7 bps) has taken effect and has been incorporated into future budget projections. The administrative accounts include $243,061.03 in the First Security holding account; $246,862.54 in the Bank of the Ozarks holding account; and $729,406.66 in the Southern Bancorp operational checking account (pledging by Southern Bancorp covers the additional amount in excess of the FDIC-insured threshold). The total of all three administrative accounts is $1,219,330.23. Dr. Powell asked about utilizing those funds to promote the plan, and Beth Anne responded in agreement and said the FY2017 marketing budget would outline a comprehensive and exciting outreach planned for the next year. The strategy was to save the marketing budget until significant and core improvements had been made to the plan in both 2015 and 2016, and that had now been accomplished, thus paving the way for a significant marketing campaign over the next several years.

John Peace followed up regarding the previous recommendation (during the 1st Quarter meeting) to pursue the conversion of our two holding accounts (First Security & Bank of the Ozarks) to CD interest-bearing accounts. However, after investigating the possibility, it was discovered that the current rate being earned by each holding account outpaced the rate offered on potential CD interest-bearing accounts. John withdrew the recommendation to convert the accounts. John provided paperwork to the Committee to update the signature and authorized user information on the First Security and Bank of the Ozarks accounts.

Beth Anne presented the checks and invoices for expenses, including exhibit booth equipment and banners, marketing outreach, CPA outreach, conference registration fees, travel reimbursements and marketing product. Gail Bolden thanked the staff for keeping expenses down, and moved to approve the list. Dr. Powell seconded, and the invoices were approved.

Emma Willis provided an update regarding the 2016 Enrollment for the Aspiring Scholars Matching Grant applications, noting enrollments had again declined this year (168 in good order, down from 185 in 2015), demonstrating a consistent pattern of declining enrollment in ASMG. Emma discussed several serious concerns about the administration and complexity of the ASMG pilot and specifically highlighted the challenges with budget sustainability, administrative oversight, time consumption, privacy and compliance, data sensitivity, decline of enrollments, and overall complexity of the pilot. She emphasized it was time for the Committee to take a close look at the ASMG pilot program regarding future recommendations.

Beth Anne presented the FY2017 comprehensive marketing proposal. The $355,000.00 marketing proposal (which will be the first of several years of increased marketing expenditures) included digital media outreach, direct mail, grassroots outreach (conferences, exhibits, Arkansas Travelers, CPAs), as well as the proposed Kindergarten Initiative in collaboration with the Arkansas Department of Education, “Coloring for College.” Beth Anne explained due to the intensive amount of time recently spent on ASMG, the Coloring for College initiative might be moved to the spring of 2017 to accommodate the amount of planning and coordination required. Additionally, the Newborn Initiative is still a dream for the future; ASU Red Wolves partnership will be replaced with ASU Pre-K partnerships; and social media outreach will be managed internally. Dr. Brett Powell moved to approve the FY2017 marketing proposal, and Gail Bolden seconded. The proposal was approved.

John Peace presented the FY2017 budget of $614,100.00, including marketing, initiatives, fees, travel and operational expenses. Beth Anne explained that a cautious budget approach in 2015 and 2016 (while working to improve the plan in key areas and awaiting a recommendation on the future direction of the ASMG pilot program) as well as the BlackRock contract payments over a period of five years allowed a more robust marketing and outreach budget for the next several years, even with the implementation of the 24% pricing reduction. Gail Bolden moved to approve the FY2017 budget. After Dr. Powell seconded the motion, the budget was approved.

Sheff Faulkner presented an update on the introduction of the new A and L share classes in the BlackRock iShares Plan. The supplemental was filed with EMMA on Thursday, May 5, 2016, and the official launch will occur on Monday, May 23, 2016. Sheff explained each of the new share classes and provided an overview of the BlackRock website and marketing proposal. Assets in the iShares Plan are $313,708,926.00 as of May 4, 2016 with 8,631 total accounts.

Via teleconference, Dave Ponder presented the quarterly update for the AR 529 GIFT Plan. Assets as of 4/30/16 are $327,567,073.00 in 24,385 funded accounts; contributions are up 7% over 2015; and qualified withdrawals account for 92.7% of all withdrawals.

Via teleconference, Mary Ryan presented the Vanguard Group portfolio review for the AR 529 GIFT Plan, with a focus on “staying the course” and riding out the ups and downs in the market. She noted the presence of the bonds to mitigate any potential volatility in stock index funds.

The 3rd Quarter meeting was announced for Thursday, July 28th. There being no further business, Dr. Powell made the motion to adjourn the meeting, Gail Bolden seconded, and the meeting was adjourned at 10:01am.

Respectfully submitted, Beth Anne Rankin, Executive Director