**MINUTES OF THE MEETING**

**Arkansas Section 529 Plan Review Committee**

Thursday, July 28, 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 Thursday, July 28, 2016 at 9:00 am in the Victory Building Conference Room, Suite 275. Present at the meeting were Treasurer Dennis Milligan; Director George Hopkins of the Arkansas Teacher Retirement System; Dr. Brett Powell of the Arkansas Department of Higher Education (via teleconference); Grant Wallace with the Treasurer’s Office; Jason Brady with the Treasurer’s Office; AR 529 College Investing Plan Executive Director Beth Anne Rankin; AR 529 Executive Assistant Lana Davis; Aspiring Scholars Matching Grant Coordinator Emma Willis (via teleconference call); Legal Counsel John Peace with Dover Dixon Horne, PLLC; Dave Ponder with Ascensus College Savings; and Mary Ryan with Vanguard.

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

Treasurer Milligan called the meeting to order at 9:03am. He thanked Dr. Powell and Emma Willis for service to AR 529 and congratulated them on their new roles (Dr. Powell as Chief Financial Officer at HSU and Emma Willis as Financial Education/ABLE Coordinator). The minutes of the May 10th (2nd Quarter) meeting were approved with the motion made by Director Hopkins and seconded by Dr. Powell. The motion carried, and the minutes were approved.

John Peace explained there were no additional federal legislative updates, but presented an overview of an Interim Study Proposal by Rep. Fred Love that would designate funds from the Arkansas Scholarship Lottery for Arkansas 529 GIFT Plan accounts for all Arkansas newborns. Director Hopkins voiced his concern regarding potential administrative burdens on AR 529 staff.

John Peace reported on the FY2016 budget. Total income was $780,340.17 (including receipt of two of the five $150,000 BlackRock contract payments) and total expenses were $327,339.65. All three administrative accounts total $1,257,544.95. Mr. Peace mentioned Beth Anne would be proposing a significant marketing outreach for the remainder of 2016 as well as the next couple of years with the available funds.

Grant Wallace presented three motions to the Committee regarding the Aspiring Scholars Matching Grant pilot program. After extensive review, staff reached consensus to (1) recommend a suspension of ASMG for 2017; (2) reconvene an advisory committee allowed by original ASMG legislation; and (3) simplify two rules to alleviate administrative complexity regarding governance of ASMG accounts. Director Hopkins expressed concern about AR 529 housing sensitive data (tax returns) and explained it was a flawed process. He voiced his belief that as fiduciaries of the 529 plan it was the right decision to suspend the ASMG pilot. Dr. Powell made the motion to suspend ASMG for 2017, it was seconded by Director Hopkins, and the motion was approved. The motion to approve the second recommendation to name the advisory committee to review the ASMG pilot and return to the AR 529 Plan Review Committee with an official recommendation made by Director Hopkins and seconded by Dr. Powell. The motion carried. The third motion regarding the recommendation to eliminate the minimum root account balance requirement (known as the 50% root account rule) as well as reconfiguring the qualified withdrawal formula (drawing down the ASMG funds first, and then the root account) was made by Director Hopkins, seconded by Dr. Powell, and the motion carried.

Beth Anne noted the 2016 Calendar of Events and invited the Committee to share suggestions for outreach and grassroots communication. She presented an overview of the $355,000 marketing budget for FY2017 and highlighted components of the marketing so far, including an Arkansas Radio Network campaign, Rural Arkansas Radio Network campaign, Hola! Arkansas publication and the Spanish translation of the AR 529 slimline. Product orders included t-shirts, pens, bags and hand fans. Beth Anne provided an update regarding the Arkansas Travelers season-long partnership (Crawling for College, Swing for College & Blackout Bingo) as well as the $529 Summer Contest award and the $529 College Savings Day award. Additionally, she highlighted ten ongoing and upcoming community partnerships, including ASU Pre-K & Early Childhood Education, ASEA, Economics Arkansas “Itty Bitty” Economics presentations, Arkansas Society of CPAs, and the MLK, Jr. Commission’s “I Have a Dream” statewide essay contest with awards.

Beth Anne specifically highlighted the upcoming 2016 “Coloring for College” statewide kindergarten initiative to be launched September 1st in partnership with the Arkansas Department of Education. The timing coincides with College Savings Month, and the contest will provide the opportunity for one kindergarten student in all 75 counties to win a $529 AR 529 award.

Beth Anne requested consideration by the Committee for approval to work with a professional ad agency to coordinate the 2016 fall media campaign as well as look toward 2017 and 2018 for the continuation of the marketing campaign. For the past eighteen months (while working to make structural improvements to both the GIFT Plan and the iShares Plan), Beth Anne recommended a frugal and cautious marketing budget. But with significant improvements now accomplished regarding both AR 529 plans, it was time to move forward with strong and visionary marketing utilizing available administrative funds to promote the plans. She emphasized if the Committee preferred for her team to continue directing the marketing campaign internally, she would be committed to doing the best job possible. The Committee considered two proposed bids (each reflecting a $125,000 proposal), from Ebben Marketing Group (in Boston, MA, working with Ascensus College Savings) and Mangan Holcomb Partners (in Little Rock, AR). Dr. Powell voiced support for the opportunity to work with marketing experts to maximize this unique marketing campaign. Director Hopkins voiced support for the staff recommendation. Dr. Powell made the motion to authorize 529 staff to utilize a professional marketing agency, Director Hopkins seconded the motion, and it was approved. Following discussion, Director Hopkins moved to select Mangan Holcomb Partners as the professional marketing agency with whom to work, Dr. Powell seconded the motion, and the motion carried.

Beth Anne presented the checks and invoices for approval and payment, highlighting several marketing expenditures including a targeted digital spend with Ebben Marketing Group (September – December) and RARN’s Friday Night Football campaign. A special note was made to transfer the $25,000 expenditure for billboards (Lamar Advertising) to Mangan Holcomb Partners (in addition to the $125,000 proposal, for a total of $150,000). Director Hopkins moved to approve the list of checks and invoices, Dr. Powell seconded, and the list was approved.

Mary Ryan highlighted pre-approved Vanguard changes to be implemented on August 26th. Changes include increasing the international piece of the portfolio (stocks increasing from 30%-40% and bonds increasing from 20%-30%) and to move into Stable Value in the money market.

Dave Ponder reported an all-time high $339 million AUM in the GIFT Plan. Contributions are up 5.5% over 2015, and qualified withdrawals make up 92% of all withdrawals. Dave reported 8,829 funded accounts in the iShares Plan with $335 million AUM. He reported 565 firms are considering signing selling agreements for the new share class launched earlier in the summer.

The Q4 meeting is Wednesday, November 2nd. There being no further business, Director Hopkins moved to adjourn the meeting, Dr. Powell seconded, and the meeting adjourned at 9:57am.

Respectfully submitted, Beth Anne Rankin, Executive Director