**MINUTES OF THE MEETING**

**Arkansas Section 529 Plan Review Committee**



A meeting of the Arkansas Section 529 Plan Review Committee (“Committee”) was held on Tuesday, May 14, 2019 at 9:00am in the Victory Building Conference Room, Suite 275. Present at the meeting were Grant Wallace, Chief Deputy Treasurer; Treasurer of State Dennis Milligan; Clint Rhoden, Director of the Arkansas Teacher Retirement System; Jonathan Coleman with the Arkansas Department of Higher Education; Director of 529 Programs and Financial Education Emma Willis; Deputy Director of 529 Programs and Financial Education Thomas Burchfield; AR 529 Assistant Chris Scott; Dave Ponder with Ascensus College Savings; John Peace with Dover Dixon Horne; John Park with BlackRock.

Treasurer Milligan called the meeting to order at 9:58 am. He asked for a motion to approve the minutes of the May 14th, 2019 meeting, Jonathan Coleman moved to approve, Clint Rhoden seconded the motion, and the minutes were approved.

Emma Willis presented checks and invoices paid during first quarter of fiscal year 2020 for approval. Clint Rhoden moved to approve, Jonathan Coleman seconded the motion, and the checks and invoices were approved.

Emma continued by speaking approval for the fiscal year 2020 budget, noting that the 2020 budget items for EverFi, financial coaching program, mobile app, and grants and scholarships had all lowered the budget to a difference of $210,850 less compared to the 2019 fiscal years budget. Jonathan Coleman moved to approve the budget, Clint Rhoden seconded the motion, and the budget was approved.

Emma then presented an engagement letter from Landmark PLC to continue to serve as the auditing firm for the Arkansas Section 529 Plan Review Committee in Fiscal year 2020. Clint Rhoden moved to approve, Jonathan Coleman seconded the motion, and the engagement letter was approved.

John Peace with Dover Dixon Horne reported on the budget, detailing the results from the fiscal year 2019 budget which ended June 30th, 2019. He noted that the income was higher than budgeted by $119,375.98. John continued, saying that the expenses that went over budget were for the mobile app and marketing.

Emma Willis presented her report, covering the Project Management Agreement with BlackRock, the annual Morning Star review, The AR College Saver initiative by Invite Education, an update on the 5 star promise, and an update on the Investment Policy Statement recommended by Landmark in a previous meeting. She explained The Project Management Agreement with BlackRock would be for two years. Emma stated the Morning Star review went like last year, but highlighted technology and community advancement. She continued by providing an update on the Invite Education partnership, now called AR College Saver and is expected to launch in October. She also reported with changes to the Five Star Promise, explaining that it has grown from being just a five-city partnership to an overall regional approach encompassing 16 school districts, two counties, and a portion of Madison County. The proposal is now currently in front of the Northwest Arkansas Council and Arkansas Educator’s Co-Op. Once they approve, the next step would be for them to create a letter to take to the intended funders to move forward. Emma revisited the Investment Policy Statement discussion brought up in the last meeting, and asked David Ponder to explain why we should consider implementing one. David explained that most of the states Ascensus acts as program manager for have an investment policy statement in place and recommends moving forward with implementing one as another form of oversight. Emma stated the current goal is to have something in front of the board in the next quarterly meeting. Grant added that having an investment policy statement as we approach the billion dollars under asset benchmark reflects the committee decision making as growing along side the plan.

Mary Ryan with Vanguard gave a report starting with the themes and outlooks to address the talks circulating the industry around recession and yield curves on a global outlook. She explained that Vanguard believes that there is a chance for a slowdown in the growth, but that the chance for a recession within the calendar year was at about a 25%, slightly higher than previously estimated, but still not an absolute. Speaking on portfolio performance, Mary mentioned that they had seen tremendous year to date returns on the portfolios for the year, starting with the aggressive growth reflecting 16%, and obviously trend downwards with the more conservative options, with the moderate portfolio returning 11%. She mentioned that they had also continued to see some volatility in the markets, but that the numbers remain strong, and Vanguard continues to monitor the markets and have not identified a need to change portfolio structures at this time.

John Park then made a report on the iShares Plan. He began by stating that the base fundamentals of the US economy are still strong, but that their increased volatility in the system due to knee jerk reactions in the markets from the headlines at that time. He stated that like Vanguard, they also the increased risk of a recession, weather it be six months or two years out, it is hard to predict. He stated that BlackRock does not see one coming immediately, again pointing to the base fundamentals still holding strong. John reported that since the beginning of the year, assets had grown in Arkansas by $39 million, a 14% increase in firms offering the plan takes the total number to 53 with 292 financial advisors, and a 18% increase in accounts that total 2,477.

A report on the Ascensus College Savings was presented by Dave Ponder which detailed assets, contributions, withdrawals, funded accounts, average funded account size, iShares 529 assets, U-gift and U-promise. Dave stated since the market and inflows into the plan have been good. As of the end of August, the total GIFT assets under management were nearly $435,000,000, trending in the right direction. He stated that the iShares plan was doing great as well. The presentation also reflected $31 million in year to date contributions, over 28,957 funded accounts, with an average account size north of $15,000. He noted that withdrawal from the accounts were up over last year, but that over 85% of them were qualified, meaning that the plan is being used for what it was designed for. Dave did mention that we would need to start addressing the issue of the aging of the beneficiary. He stated that Ascensus have brought on data scientists, and that they would start doing deep-dive reporting on the analytics of all the plans, and that one of the biggest trends they are seeing is the age of the beneficiary continues to creep up, and that marketing will have to adjust to reflect this, trying to obtain younger beneficiaries. Grant Wallace mentioned that another thing to consider is also the growing cost of higher education. John Park mentioned that you also have to have your rate of sales increase higher than the markets to offset the maturity. Dave also reported on the iShares Plan, stating that there was $478,000,000 in assets, 13,055 funded accounts, and an average account size of over $36,617.

Treasurer Milligan then introduced Thomas Burchfield to the board, explaining that they had worked together previously on the county level, and that Thomas is the Deputy Director of the 529 plan, and that he believes he will bring enthusiasm to the program and looks forward to his growth and help.

The date for the 4th Quarter meeting of 2019 will be determined later.

There being no further business, Treasurer Milligan moved to adjourn the meeting and the meeting adjourned at 10:28 am.

Respectfully submitted,

Emma Willis, Director of 529 Programs and Financial Education