**MINUTES OF THE MEETING**

**Arkansas Section 529 Plan Review Committee**

Tuesday, August 31, 2021, at 10:00 AM

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, August 31, 2021, at 10:00 AM in the Victory Building Conference Room, Suite 275 and via Zoom virtual meeting. Present at the meeting were Treasurer of State Dennis Milligan; Clint Rhoden, Director of the Arkansas Teacher Retirement System; Alisha Lewis, serving as proxy for Arkansas Department of Higher Education; Grant Wallace, Chief Deputy Treasurer; Fran Jansen, Director of 529 Programs and Financial Education; Chris Scott, Manager, AR 529 Programs; Stacy Peterson, Communications Director for the State Treasurer’s office; Dave Ponder with Ascensus College Savings; John Peace with Dover Dixon Horne; John Park with BlackRock; and Julia Ward with Vanguard.

Treasurer Milligan called the meeting to order at 10:02 AM.

The Treasurer then asked for a motion to approve the minutes of the June 8, 2021, meeting. Clint Rhoden moved for approval; Treasurer Milligan seconded the motion and the minutes were approved.

Fran Jansen gave the director’s report, highlighting television, social media, rebranding, and a draft investment policy statement. She reported a strong television presence over the summer and into fall including sponsoring a ‘Save of the Week’ segment on KATV-Channel 7, and a :30 second spot targeting grandparents and new parents. Fran also reported that Vines Brookshire and Brand Catalyst continue to develop ads/posts that encourage contributions by existing account owners as well as the opening of new accounts.

Dave Ponder provided an update on rebranding the trust from the “Arkansas Tax-Deferred Tuition Savings Program” to the “Arkansas Brighter Future Plan.” He shared potential logo designs which featured subtle design elements relating to the state of Arkansas. Dave also provided a timeline for the rebranding update, stating that changes should be completed between December 15th and December 30th. Clint Rhoden expressed positive comments about the designs presented. John Peace stated that the logo change presents a good opportunity to amend the rules from 2008, specifically removing references to the ‘Aspiring Scholars Matching Grant’ program, along with adding the new ‘Brighter Future’ name. He offered to do a ‘red-line’ amendment to the rules and submit it to the committee for approval at the November meeting. He indicated that after approval, TJ Lawhon with Dover Dixon Horne would take it through the administrative process and seek approval by the legislative counsel.

Fran then informed the committee that an investment policy statement needed to be established for the Arkansas Section 529 Plan Review Committee. Dave stated that an investment policy statement was being developed by Ascensus that would cover both plans (direct and advisor). He anticipated having a draft within the next few weeks for John Park, John Peace and Julia Ward to review.

Closing out her report, Fran noted that next month she and the 529 team would be meeting with Morningstar for the annual 529 ratings review.

Next, Fran presented for approval checks and invoices paid during the first quarter of fiscal year 2022. Clint Rhoden moved for approval; Treasurer Milligan seconded the motion. The checks and invoices were approved.

Grant Wallace then presented the budget for Fiscal Year 2022. He stated that expenses were baseline apart from travel increasing, Invite Education decreasing, and decreasing mobile app costs. Grant stated that the changes would result in a proposed budget surplus of approximately $136,000. Clint Rhoden moved for approval; Treasurer Milligan seconded the motion, and the budget for Fiscal Year 2022 was approved.

Fran then introduced the idea of increasing the maximum contribution limit for the lifetime of an Arkansas 529 account. She stated that with inflation and the rising cost of tuition, several other state’s 529 plans have increased their contribution limits. Fran proposed increasing the limit to $500,000 which, with inflation adjustment, represents in current dollars the equivalent of the amount set in 2005 ($366,000). Clint Rhoden made a motion to increase the annual contribution limit of an Arkansas 529 account to $500,000. Treasurer Milligan seconded the motion, and the annual contribution limit of $500,000 was approved.

John Peace then reported on the budget for fiscal year 2021, stating that expenses were right in line with the budget, and that income exceeded the budget by more than $88,000. He stated we had budgeted for expenses exceeding income by $67,000 but came out with revenue exceeding expenses by $28,000.

The next report came from Dave Ponder, who reported on assets, contributions, withdrawals, funded accounts, average funded account size, iShares 529 assets, U-gift and U-promise. He stated that as of August 31, the GIFT assets under management were $578,139,586. He noted that the GIFT plan received $34.5 million in year-to-date contributions, had a total of 32,322 funded accounts, with an average account size of $17,887. Dave also reported on the iShares Plan, stating there was more than $668 million in total assets under management, 15,363 funded accounts, with an average account size of $43,483, bringing the total assets under management to $1,246,170,644.

John Park reported on Arkansas-owned iShares Plans, stating that assets had grown by about $66 million since the end of 2020; the total number of financial advisors offering the plan in Arkansas had grown to 396 advisors, and that there were currently 3,376 Arkansas-owned accounts with an average account size of $19,536.

Next, Julia Ward with Vanguard gave a report on market conditions and a review of the target enrollment portfolios. Providing a high-level overview on target enrollment portfolios (TEP), Julia explained that TEPs allow for a single glidepath, a single portfolio option, and a single decision for the account owner. Vanguard believes this provides an easier to understand and more transparent experience for the account owner. The allocations are adjusted much more frequently in a TEP and, to a lesser degree, mitigate the market impact to the performance, with the amount of equity falling between the moderate and aggressive current age-based options. Julia concluded stating that existing portfolio performance continued to revert to more normal benchmarks, with no anomalies to report on second quarter performance.

As order of new business, Grant provided an update on the 529 mobile app. He stated that over the past couple of months, he had been re-evaluating the performance of the Central 25 app, especially in light of the recent launch of the Ascensus mobile app. Grant explained that Central 25 maintenance fees and rising costs of cyber insurance were presenting a challenge to 529 budget. He stated that he had asked John Peace to review all of the agreements, statements of work, and contracts with Central 25 to present options to bring to the committee for consideration. Grant stated that while he was proud of the work done, paying for an app (Central 25) in addition to the Ascensus app (with doesn’t require additional funding) no longer makes economic sense. Grant recommended seeing if we could negotiate out of the Central 25 contract. John Peace stated that he would work with Grant to investigate this option. Clint Rhoden made a motion to allow staff to research unwinding the relationship and agreements with Central 25. Treasurer Milligan seconded the motion, and the motion was approved.

There being no further business, Clint Rhoden moved to adjourn the meeting, which was adjourned at 10:48 AM.

Respectfully submitted,

Fran Jansen, Director of 529 Programs and Financial Education