

Minutes of the Meeting Of the College Savings Program Board

Held at the State of Wisconsin Department of Administration Building
101 E. Wilson Street, St. Croix Room; Madison, Wisconsin

May 20, 2013
1:00 p.m.

MEMBERS PRESENT: *Paul Adamski (arrived 1:10), Alberta Darling (by phone), Julie Gordon (for Debbie Durcan), Ken Johnson, Rob Kieckhefer, Bill Oemichen, Pat Sheehy (by phone), Wendy Wink (for Rolf Wegenke), John Wheeler, Jim Zylstra.*

OTHERS PRESENT: *Annoesjka West, Callan Associates; Catherine Burdick, Kerry Alexander, Chris Lynch, Ed Mihallo, all with TIAA-CREF; Paula Smith (by phone), Andy Schlueter (by phone), with ING US Investment, Nick Kitzman (Sen. Darling's office) and Jim DiUlio.*

I. Call to Order and Roll Call –Chair *Oemichen* called the meeting to order at 1:00 p.m. with a quorum present. (See above for attendance.) Brief introductions around the table.

II. Approval of Agenda – Motion by *Kieckhefer*, second by *Zylstra* to approve the agenda. Motion carried. Staff reported that the meeting agenda was properly posted for the public

III. Approval of Minutes of February 11, 2013 Minutes were reviewed. Motion by *Wink*, second by *Johnson* to approve the minutes. Carried.

IV. Public Presentations [if requested in advance] – There were none requested.

V. Administrative Reports

A. Board Chair Comments – *Oemichen* has two comments today: Looking for a Board Member to chair the marketing and outreach committee; *Pat Sheehy* has asked for another Member to guide that area, now that his workload has changed. *Oemichen* thanked him for his good work. He then reminded Members to consider training and other 529 plan conferences that are available throughout the year. As part of broader board governance activities, keeping current should be a focal point for us. The program's budget allows for registrations and travel expenses, as needed, and staff will keep this group informed as opportunities are scheduled.

B. Department of Administration – With *Wolfe* at another meeting today, *DiUlio* reports that the state's Capital Finance Office (where the Program resides) has a new Director. *Kevin Taylor* comes from Indianapolis, replacing *Frank Hoadley*, who retired earlier this year. The DOA has extended its contract with AFK, a national 529 plan consulting company, to assist the Board and staff as need in the transition to new program management. Some in-service activities here in Wisconsin are also being discussed.

C. Program Director Comments – *DiUlio* began with revenue and expenses through the nine-month period. Transition expenses paid to that point were \$168,000, as

more invoices are processed we now have a better picture. Disclosure notices and other information produced and distributed to account owners and the public will likely total \$279,000, considerably less than if they had to be sent separately. Most of the notices were included with other required or scheduled mail. Additional work was requested from consultants Callan and AKF to assist the procurement team in their due diligence process. And finally, the Legislative Audit Bureau and State Controllers Office requested a termination audit for Wells Fargo Funds Management, as they exited the program. The current cost estimate for all extra activity related to the program management transition is about \$386,000, or about \$1-2 per account.

Our plans' proxy votes for underlying mutual funds are infrequent and low-key, but *DiUlio* reported no problems with a large-scale voting process for Tomorrow's Scholar plan portfolios. This was part of ING U.S. reorganizing as independent company Voya. We voted 157 positions owning 110 million shares setting up the name changes for investments inside the Tomorrow's Scholar plan. All went smoothly, thanks to ING's *Andy Schlueter*.

Outreach has been busy with schools and media. Upcoming activity includes events with retired groups, precollege families in Milwaukee, and agricultural sites. On the federal level, work continues on support HR 529 and related technical issues. There will be an event on Capitol Hill on May 29 for Congressional members and staff. Another piece of legislation, the ABLE act affecting families with disabled children and tax-favored savings, is also being watched since it borrows language from Section 529 and some funds could be interchangeable. The national CSPN conference in Pittsburgh last week covered a variety of topics and updates. More to report later this year, following conference evaluations. With the older 529 plans now maturing at 16 years, there is increased interest in evaluating where the industry is now, best practices for boards and administration, and sharing experiences to become more effective.

D. Manager [TIAA-CREF Tuition Financing Inc.] Comments – *Kerry Alexander* introduced their presentation members. He will cover Edvest first quarter data. Following him will be *Ed Mihallo*, who heads TFI investment teams. He spoke at length earlier with the Investment Committee. Next, *Paula Smith* and *Andy Schlueter* from ING will report on Tomorrow's Scholar plan, and *Catherine Burdick* of TFI will address the latest in Edvest marketing and outreach. Also here today is *Chris Lynch*, who oversees the state relationships with all current eleven TIAA-CREF states.

January-March is the first full reporting period since the October transition, he said, adding that few trends can be seen yet, but numbers look in line with other states they serve. He then went through the various categories of data on the quarterly report.

Mihallo began with describing TIAA-CREF's 529 plan-dedicated team at TFI, and then noted many of the improvements to the Edvest plan with the transition from the previous lineup. As an example, the previous three age-based tracks were changed to two, but the steps increased to nine, with greater diversification within the bands. The reason for the nine bands is to smooth the risk through the glidepath, important in conditions we have recently seen. Another improvement is to include some equity exposure in the final years, rather than just defaulting to money markets, recognizing students may be in school longer. Multifund portfolios now are available in both active- and index-based versions. There were also improvements and additions to the standalone choices. The Principal Plus portfolio is also an addition, with principal and rate guaranteed to the owner. The current rate with that choice is 1.25%. He then reviewed portfolio performance and benchmarks for this quarter.

The Tomorrow' Scholar ING portion began with *Paula Smith* reporting the full-scale rollout of the plan is well underway, gathering new assets well over dollars going out. Distributions have been nearly all college expense withdrawals, as would be expected around year-end. She then shared some of the strategy of targeting other states without state tax benefits, and incorporating 529 information in meetings with Morgan Stanley, Raymond James, RW Baird, and others. A popular promotion piece used for Tomorrow's Scholar was a NCAA basketball bracket showing the college costs at each of the competing schools, with plan information on the reverse side. Seminars for Ed Jones and other broker-dealers will be conducted by Chris Stack from savingforcollege.com. Other awareness campaigns will continue nationwide for the independent advisor network. And a group 529 for employers is planned for rollout later in the year.

ING has a "Gift of Education" scholarship contest set to begin shortly for Wisconsin owners of Tomorrow's Scholar, as nominated by financial advisors. Winning beneficiaries will receive \$529 or \$1,529 if the beneficiary under 14 to be added to their account or sent directly to the school if enrolled. A total of \$100,000 will be awarded this year, all from ING, nothing from the state or plan.

Smith then briefed the Board on her company's upcoming name change from ING U.S. Investment to the Voya brandname. This is related to their planned spinoff from the Dutch company, with a \$1.3 billion IPO in May. The actual name changes are not likely to happen until 2014, following some more legal changes. *DiUlio* added that ING has kept the state fully informed all through the process, and all is well from a compliance standpoint.

Catherine Burdick reviewed the first quarter efforts for the Edvest plan. New Years Resolution campaign began the year, followed by Tax-Time. Direct and online mail, supported by radio, statement inserts, and social media are coordinated for maximum effect. The current radio ads rotate on affordability and tax-advantages with Edvest. Social media posts recently have focused on particular careers, using photos of children in 'grown up' occupations.

The internet search responses have exceeded expectations as have direct mail efforts, reinforcing the use of multiple channels to attract interest. Mixing traditional and new media. She then reviewed statistical reports, along with examples of current campaign pieces. Coming in the next quarter is more with "25 to Start," focusing on the low amount to open accounts. Next week, the summer library "Leap into Reading" promotion kicks off, partnering with the Department of Public Instruction, the state's public libraries, and the Green Bay Packers football team. *Adamski* complemented *Burdick* for moving the Edvest promotions up 'a few notches' than had been done in the past.

VI. Old Business – Independent Audit for FY2013 – *DiUlio* reported preparations are underway and all appears to be on track.

VII. New Business

- A. **Investment Committee** *Ken Johnson* reviewed the committee's earlier meeting and visit with TFI's Ed Mihalho. Topics included discussion about interest rates in the coming months, a timetable for the next few weeks to look at portfolio changes for the coming year, and opportunities for the committee to meet with actual investment managers as we have done in the past. We may also want to look at the sheer number of investment choices after some time of availability. It is hard to draw any

conclusions on the new lineups with only a few months of performance history. It is important for Callan at this time to flag sudden manager changes, or drifts from investment style, in addition to our quantitative triggers. He added.

Annoesjka West said the year started with a strong first quarter, including reasonable GDP. Consumer and job numbers were good, relatively speaking. Housing prices have increased in some places. While many non-US economies lagged, performance remained positive.

All the portfolios grew over the quarter, thanks to the markets. She also noted the age-based portfolios in addition to having the largest amount of assets also attracted the largest inflows. Some of the portfolios did not meet their benchmark, but with only one quarter's performance, not significant other than the returns were positive. She then reviewed the spotlight pages that were helpful during the Wells Fargo years. Once we get a few more quarters behind us, these will be helpful tools.

At this time, there are no Watch List recommendations, *Johnson* reported. We are inching closer to a completed Investment Statement and Policy, hoping to have a completed document by the end of the year.

- B. **Reporting Potential Conflicts of Interest** – Reflecting back to our 2012 information session with the Government Accountability Board, *DiUlio* reminded members that question about situations may be directed to him in confidence. Normal business of Members working in securities, banking, higher education, etc. are openly reported and acceptable. Considering the size of the program, owning individual 529 accounts are a tiny fraction of the enterprise.
- C. **Meeting dates** - The next meeting will be Monday August 19, followed by December 2, with the results of the audits to be available then.
- D. **“CE” 529 plan opportunities for Board Members** – The Savingforcollege.com meeting will be September 9-11 in Orlando. There is also a Callan one-day meeting coming in June, and upcoming meetings with financial planning groups.

IX. Announcements – None.

X. Adjournment — Motion by *Wink*, second by *Adamski* to adjourn. Carried. The meeting was adjourned at 3:06 p.m.