

Minutes of the Meeting Of the College Savings Program Board

Held at the State of Wisconsin Department of Administration Building
101 E. Wilson Street, Tenth Floor; Madison, Wisconsin

February 11, 2013
1:00 p.m.

MEMBERS PRESENT: *Paul Adamski (by phone), Debbie Durcan, Ken Johnson, Rob Kieckhefer, Bill Oemichen (by phone), Rolf Wegenke, Jim Zylstra.*

OTHERS PRESENT: *Annoesjka West, Callan Associates; Steve Satran (Sen. Darling's Office), Catherine Burdick, Kerry Alexander, Mike Noone, Pam McNulty, Ed Mihallo (by phone), Joe Del Grande (by phone), all with TIAA-CREF; Paula Smith, Andy Schlueter (by phone), Elizabeth Allina (by phone), May Tong (by phone), all with ING US Investment, and Jim DiUlio.*

I. Call to Order and Roll Call –Chair *Oemichen* called the meeting to order at 1:07p.m. with a quorum present. (See above for attendance.)

II. Approval of Agenda – Motion by *Durcan*, 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 November 12, 2012 meeting Minutes were reviewed. Motion by *Zylstra*, second by *Durcan* to approve the minutes. Carried.

IV. Public Presentations [if requested in advance]– There were none requested. Due to the number of guests in attendance, introductions were made.

V. Administrative Reports

A. Board Chair Comments – *Oemichen* said he likes the increased demographic information presented by TIAA-CREF. He reminded the membership of the upcoming due date of April 15 to submit the reporting packet from the Government Accountability Board. Also, board members have attended and are welcome to participate in national conferences with a 529 plan focus, for updates on regulations, investments, or to network with other states.

B. Department of Administration – *Michael Wolff* is at another meeting today, but *DiUlio* said there is nothing new to report.

C. Program Director Comments – At the midpoint of the fiscal year, income is up slightly due to the Edvest-Advisor plan accounts migrating to Tomorrow's Scholar in October, and now subject to a board fee. On the expenditure side, additional invoices of about \$168,000 have been paid so far due to the transition of program managers. These include required notices and mailing to accounts owners, along with records preparation. We were responsible for these expenses since we did not have a new manager under contract. A number of invoices have yet to arrive, but should be complete in a few months. The numbers will likely offset.

DiUlio also mentioned that the number of Edvest accounts has been overstated in recent years by about ten percent. This was due to counting the portfolios within accounts as ‘accounts.’ The correction was made at the time of the October transition and also noted in the state’s 2013-15 budget materials.

Regarding state and federal issues, we and a number of CSPN states helped to introduce H.R. 529 in Congress last week. The bill will encourage moderate and lower-income household to save in 529 plans, and would also allow employer matches of up to a \$600 each year. On another issue, there is concern among the states regarding private businesses collecting and processing ‘gifts’ to 529 accounts for a fee. Our plans, as most, will accept money free of charge. The concerns with these commercial entities include disclosure, licensing, and custody. State securities regulators have shown interest.

Wegenke asked about any reaction or feedback from the transition communications to account owners in 2012. *DiUlio* replied that there were remarkably few comments, nothing strongly negative among the thousands of pieces of mail. There was one set of letters that was delayed due to a contractor problem, now resolved. *Kerry Alexander* added that 22,000 calls came into the Edvest center in the last two months of the year, but only 92 were a service concern; most were typical questions about investments. *Paula Smith* reported over 40,000 calls through the automated or in-person channels for Tomorrow’s Scholar, but also of an unremarkable nature.

D. Manager [TIAA-CREF Tuition Financing Inc.] Comments – *Kerry Alexander* began with introductions of Edvest and Tomorrow’s Scholar teams attending today. TFI’s new president *Mike Noone*, thanked the Board and state for being chosen to manage the program. He added that the TIAA-CREF management group also extends their appreciation.

Alexander reviewed the abbreviated Q4 report for the Edvest plan. This is the first time this format has been presented to the Board. He pointed out some of the data points to follow. *Johnson* asked about movement between active- and index-based portfolios. *Alexander* responded that is too early to tell if there are trends. Increased reporting is now available and shown by county or community, as well as age groups. Cash flows, including redemptions and rollovers are also more closely tracked.

Pam McNulty, the TFI national marketing director responded to a question regarding lower number of Edvest accounts receiving electronic statements. She said it takes some time, as customers get familiar with the change and new website—and if it got to 50%, it would be excellent. She said her marketing strategy is a year-round approach, different from the Wells Fargo end-of-year campaigns. Although 529 is an easy product to understand, she said it takes multiple contacts throughout the year to cause action. A variety of media and approaches will be used, as TFI has used with success in other states. The combination of experiences in multiple state programs, along with the leverage of larger numbers for media buys has also been of value.

The 2013 Edvest marketing plan was presented by *Catherine Burdick*. Highlights include a new coordinated effort in electronic and social media, while retaining some traditional outlets that have been successful. She went through the steps in using social media and calculating its effectiveness. She also discussed how online advertising and searches work in a marketing campaign. The previously reserved Edvest addresses on Facebook and Twitter are now active, and we are in the stage of

building a following for both outlets. She then outlined the statewide media plan, and a year-round schedule of activities and events, each using specific measurement tools to determine effectiveness.

McNulty then asked Board members for suggestions and advice in approaching employers to set up payroll deduction. Members discussed some ideas and sources for more relationships. *Burdick* thanked all for the support and will follow-up on the suggestions.

Paula Smith of ING U.S. Investment Management then introduced herself and team on the phone. She outlined the smooth transition of both Tomorrow's Scholar and Edvest-Advisor accounts, both in assets and accounts. They were able to retain 100% of the existing dealer agreements and expanded further with Morgan Stanley, RW Baird, and other major broker dealers. Sales have been solid, with a positive trend since transition. Training meetings for advisors have taken place in Wisconsin and nationwide. She then reviewed some of marketing materials and online tools.

Members asked about ING's anticipated IPO. *Smith* replied that at this point, there is not much she could say other than the firm filed an S-1 Report in November and corporate changes will happen in 2013, but nothing affecting the 529 plan. *McNulty* added that the Wisconsin names, Tomorrow's Scholar and Edvest are strong brands and are familiar to the public. *Smith* also previewed a statewide scholarship contest, as well as other outreach items in development.

VI. Old Business – Independent Audit for FY2012 – *DiUlio* reported that the KPMG audit materials were included with the state's larger audit report, and all went well.

VII. New Business

- A. **Investment Committee** *Ken Johnson* reported that the Investment Policy and Procedures document, waiting in draft form during the recent transitions, will be presented at the next meeting. The committee discussed visits by investment managers, and will look at the structure and process of the age-based paths next time. They also discussed the Watch List process, in light of short histories for the new plan lineups. It was agreed that staff and Callan Associates will monitor the underlying funds and new portfolios as is they had been in the plans earlier, looking for signs that would trigger review. If needed, investment managers will be contacted for responses. The Bank CD portfolio continues to struggle, with low participation by the banks. Efforts will be made to encourage their activity.

Annoesjka West explained that her data report this time is limited due to the complete change of plan portfolios in the middle of the past quarter. Fourth quarter U.S. investment performance was slightly positive, but overshadowed by fiscal cliff concerns. Europe was strong along with fixed income for the quarter. Looking at the new plan portfolios for the short period, all were positive and most outperformed their benchmarks.

The committee at this time has no Watch List recommendations at this point, *Johnson* stated, in the absence of quantitative history or other reasons.

- B. **Meeting dates** - The next meeting will be May 20, 2013, with the remaining meeting for the year to be determined. The vacant seat on the Board will be filled shortly. John Wheeler of Middleton is currently going through the nomination process and will join us at the next meeting.

- C. **“CE” 529 plan opportunities for Board Members** – As in the past, members are welcome to attend meetings related to the 529 program. The annual CSPN training conference will be in Pittsburgh May 14-17, and the Savingforcollege.com meeting will be September 9-11 in Orlando. Callan Associates also schedules regional morning workshops, including a June date in Chicago.

IX. Announcements – None.

X. Adjournment — Motion by Wegenke, second by Johnson to adjourn. Carried. The meeting was adjourned at 2:55 p.m.