

Minutes of the Meeting Of the College Savings Program Board

Held in the MacArthur Conference Room, Tenth Floor
Department of Administration Building
101 E. Wilson Street; Madison, Wisconsin

August 13, 2012
1:00 p.m.

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

OTHERS PRESENT: *Michael Wolff, DOA; Shane Martwick and Sarah Henriksen (by phone), Wells Fargo Funds; Annoesjka West and Karen McKechnie, Callan Associates; Yelena Radich (Sen. Darling's Office), TIAA-CREF staff listed below, and Jim DiUlio.*

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

II. Approval of Agenda - Staff reported that the meeting agenda was properly posted for the public. Agenda approved as posted.

III. Public Presentations – There were none requested.

IV. Approval of Minutes – The minutes of the previous meeting are not ready, but will be available at the next meeting.

V. Administrative Reports

A. Board Chair Comments – *Oemichen* opened by announcing the annual KPMG audit has been authorized, adding that the SEC settlement funds are dedicated to pay for audits for a few years. *DiUlio* added that a closing audit at time of program manager transition has been suggested by the Legislative Audit Bureau and the State Controller. KPMG will also do this work, with details to follow.

B. Department of Administration – *Wolff* briefly updated the contract transition process and introduced representatives of TIAA-CREF Tuition Financing, Inc. (TFI) here today. Guests include *Doug Chittenden*, TFI's President, *Kerry Alexander*, the relationship manager assigned to Wisconsin, *Craig Perkin*, who oversees the state relationships, *Kathy Griffin* a marketing manager leading that area of the transition.

C. Program Director Comments – A new website is in the works, along with the larger DOA web upgrade. *Oemichen* suggested that the new setup should include a way for the public to communicate directly with the Board. *Wegenke* added that we should

also find a way to include both the national 529 branding along with the strong Edvest name with the public. Suggestions are welcome. The current Edvest and Tomorrow's Scholar website address will remain the same, along with the customer call center numbers.

During the transition period, *DiUlio* will be continuing the employee benefit fairs at state agencies, campuses, and private businesses. He taught a section at Edgewood College recently as part of the national financial education workshops. At the federal level, CSPN is still researching the impact of a related bill in Congress regarding 529 accounts and new accounts for disabled children. Budget numbers are now caught up related to the program's State Treasurer to DOA move. The remaining reports are in line with the seasonal activity for both plans.

There were no proxy votes this quarter.

D. Manager [Wells Fargo] Comments –*Oemichen* expressed the Board's appreciation to *Shane Martwick*, *Sarah Henriksen*, and the Wells Fargo team for the excellent working relationship with the program over the years. *Martwick* then shared details of the annual activities for those charged with an account fee and the annual migration for enrollment-based accounts. The call centers have received comments from financial advisors looking for more information regarding the new investment options, compensation schedules, and the required paperwork. From the IT staff and other teams at Wells Fargo, the transition is proceeding smoothly.

Communications to existing account owners continues, with the required Program Description Supplements sent and posted on the MSRB EMMA website. Outreach activities continue through the summer. *Wolff* added his thanks to *Martwick* and *Henriksen* for the very good relationship with the state.

VI. Old Business – None

VII. New Business

A. Investment Committee This morning's committee meeting had two topics, *Johnson* reported, Second Quarter performance and the proposed investment lineup for October's transition.

Annoesjka West began Callan's report with their Executive Summary. The situation in Europe has affected the markets in the second quarter. It has been a rough quarter for domestic equity investment managers. However, the housing market improved and oil prices have come down. July's numbers also show job creation in the US. The S&P was down for the quarter and international returns more so. Fixed income markets were up, Treasuries were the place to be.

She then went through the portfolios and underlying funds for each plan. The funds placed on the Watch List at the last meeting continued to underperform. The recommendation is to keep the list as it is. *Johnson* said the committee agreed.

Johnson then outlined the role of the Board during the transition process. In addition to having input as part of the RFP process, he said the charge in Statutes to move existing accounts to similar investments is sort of a balancing act. Trying to weigh improvements in the lineup and the costs involved, the committee discussed many aspects of TIAA-CREF's proposal. Moving existing multi-portfolio accounts in

the active-managed funds to those with index-based funds would be a greater benefit to account owners, allowing the diversification along with lower expenses. *Adamski* asked for clarification from Callan regarding their earlier evaluation of active vs. passive choices. *West* detailed that section from her report, concluding that for direct plans 'less is more.' She also said that for the advisor-sold ING Tomorrow's Scholar plan, professional help is part of the investment selection process. *Johnson* referred to committee materials prepared by staff, showing side-by-side comparisons. *Wolff* thought that the Edvest advisor accounts being moved to the Tomorrow's Scholar plan may require additional communications.

Some discussion to clarify certain investments followed. The consensus was to accept the proposed investment lineups, but the Board will always reserve the right to make changes in light of performance or other factors. As an action item from the investment advisory committee, *Johnson* moved, *Wegenke* seconded the following:

In light of the current requirements of the Statutes, the Investment Advisory Committee has reviewed the investment lineups for the Edvest and Tomorrow's Scholar savings plans proposed by TIAA-CREF Tuition Financing, Inc., upon transition from the current program manager, Wells Fargo Funds Management. The Committee recommends to the College Savings Program Board the approval of the proposed investment structure for both existing accounts owners and prospective owners. Carried by unanimous voice vote.

B. Introduction of the TIAA-CREF TFI Management and Relationship team

Kathy Griffin began the update with an overview of how TFI attracts participants and manages the process. Examples of media materials and timelines were presented. *Kerry Alexander* will be the state's direct relationship manager. The teams from the states that TFI services meet often to share marketing and operational experiences. The focus now will be on getting to the end of the year with some media and related activities. A broader year-round plan for 2013 is in development.

IX. Announcements – The next meeting is tentatively scheduled for November 12, 2012, subject to scheduling with the KPMG audit team.

X. Adjournment — The meeting was adjourned at 2:59 p.m.