

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

February 13, 2012
1:00 p.m.

MEMBERS PRESENT: *Paul Adamski, Alberta Darling (joined at 1:10 by phone), Doug Hoerr (for Debbie Durcan), Ken Johnson, Rob Kieckhefer, Bill Oemichen, Rolf Wegenke, Jim Zylstra.*

MEMBERS EXCUSED: *Durcan, Sheehy*

OTHERS PRESENT: *Michael Wolff, DOA; Shane Martwick, Laura Wilkinson, and Sarah Henriksen (by phone), all of Wells Fargo Funds; Annoesjka West and Karen McKechnie, Callan Associates; Yelena Radich (Sen. Darling's Office), and Jim DiUlio.*

I. Call to Order and Roll Call – The group welcomed *Rob Kieckhefer*, new public member at his first meeting today. He was nominated by the Governor and approved by the Senate, all within the last month. A quorum is present and the meeting was called to order at 1:05 p.m. Board Chair *Oemichen*. (See above for attendance.)

II. Approval of Agenda - Staff reported that the meeting agenda was properly posted for the public. The Chair asked for approval of the Agenda. Motion by *Wegenke*, second by *Zylstra* to approve. Motion passed unanimously by voice vote.

III. Public Presentations – There were none requested.

IV. Approval of Minutes – The Board's minutes of November 14, 2011, were presented. Motion by *Johnson*, second by *Adamski* to approve. Motion passed unanimously by voice vote.

V. Administrative Reports

A. Board Chair Comments – Regarding the upcoming bid process for the next program manager, *Oemichen* reported he is working to have some Board representation in the selection process. Since state procurement rules discourage political appointees from those roles, maybe a statutory member could participate. He is working with DOA on this.

B. Department of Administration – *Wolff* outlined the lengthy process underway to prepare for the selection of the next program manager. Both the complexity of the program and the scope will likely result in bid documents in the 80-page range. The posting of the request for proposals (RFP) is expected in the coming days on the state's VendorNet system. There has been good interest both nationally and locally,

and we are working with outside experts. However, the rules limit contact with the public once the RFP is active.

Oemichen cautioned Board members that they also come under these rules. Anyone approached should contact *DiUlio*, who will in turn connect the inquirer with the procurement staff and process. *Wolff* explained the schedule allows two rounds of questions from bidders, shared with the others along with the state's responses, with a final submission deadline in April. The responses are limited to 50 pages, but will also include additional financial and performance data. A finalist may be selected by the next Board meeting.

Wells Fargo has a transition team in place. *Oemichen* asked *Henriksen* if there could be an extension past the October 31 contract date if needed. She replied that the November-January period in the mutual funds world is busy with year-end activities, and both sides of a transition would tend to avoid that. *Henriksen* thought the new manager would also like to be ready for the year-end marketing effort with the gifting and tax messages.

C. Program Director Comments – There have been no proxy votes to report since the last meeting. Referring to the quarterly data and charts, *DiUlio* reported that 2011's high point for assets was mid-year due to market activity. However, new accounts were steady year-round, replacing those closed and increasing overall about 5%. The graphs continue to show the seasonal nature of contributions and new accounts.

CSPN – The College Savings Plan Network is the multi-state network of the 80-plus plans offered throughout the country, affiliated with the National Association of State Treasurers. State membership dues are \$4,000 annually, along with some travel and phone calls. CSPN positions itself to be the authority on 529 plans with the public, legal and regulatory affairs, and a range of operational standards. Programs such as ours with a handful of staff benefit when networking with 529 programs having 30-80 state staff. In addition, most of the investment, management, and related commercial vendors participate. *DiUlio* said he had been elected to a two-year term on the CSPN executive committee, and will chair the membership engagement committee.

In federal news, the MSRB has deferred any decision on the rule that could require 529 board members to register as advisors; the process has been pushed down the calendar. In Wisconsin, there have been bills introduced to extend the Coverdell account federal tax break to state taxes, too. They appear to have good support. *Adamski* added that Coverdell limits are very low to make a big difference for investors.

Johnson asked about insight into Tomorrow's Scholar sluggish account totals. *DiUlio* then reviewed the history of both advisor-sold plans for the benefit of new members. He also expressed disappointment that advisors were not promoting the products, in light of the high ratings. *Johnson* and *Wegenke* recalled that the Board encouraged the national sales concept of the advisor plans for generating fee income.

Responding to national and in-state media inquiries have been coordinated by both Wells Fargo and us, for both accuracy and compliance language. Recent coverage in the Milwaukee market appears to be positive.

The major outreach effort since last time was the Wisconsin Association of School Boards (WASB) in January. This event has a wide reach of participants, presenters, and vendors. We had a booth in the exhibit area, and Wells Fargo assisted.

D. Manager [Wells Fargo] Comments – *Shane Martwick* began with a product update. The WFA Growth Fund has experienced some growth, resulting in lower operating expenses and the decision to close the fund to new investors. However, this will not affect EdVest as an existing plan account. Trends continue along predictable lines, with a seasonal increase in distributions, and there have been some inquiries about the successor program manager. *Oemichen* asked about the trend line to more conservative portfolios. *Martwick* said that is consistent with the broader public. *Wolff* asked *Martwick* to refer customer questions about the transition to *DiUlio*. Wells Fargo is drafting some form letters, *Henriksen* added, in an attempt to proactive once program manager information becomes public. Outreach efforts are listed on the report. The annual distribution of EdVest promotional fliers in state payroll communication is trending down as more agencies go paperless.

Laura Wilkinson discussed the seasonal marketing efforts, with the emphasis on the December 31 tax deadline. Earlier attempts to do year-round promotions were not as successful in total as the year-end focus. She then went through the components of the recently completed media plan. Today's article on 529s in the Wall Street Journal seems to agree with the results of the past season—fewer contributions for a variety of economic reasons. New accounts were up slightly, but generally most measures were down a bit. *Wegenke* asked if they had seen any large increases in withdrawals, in light of the recent changes in college financial aid awards. *Martwick* said he would look for patterns. *Wilkinson* then went through statistical data from the call center and the web servers as they related to the media buys. An additional media channel this year was website advertising through MNI, a Time company. Their very large distribution network can tailor access and allows for ads to be reallocated to those sites generating responses or activity, instead of locking-in specific space and times. Results included 6,300 clicks, exceeding expectations, and should be considered again. Facebook also provided some support. Expenditure breakdown is listed on the report.

VI. Old Business – None

VII. New Business

A. Investment Committee The committee met earlier today *Johnson* reported, and reviewed 2011 market performance of EdVest and tomorrow's scholar portfolios, and discussed Callan's 2012 economic and market outlook. Callan also provided some first observations of our current investment policy statement and ideas for improvements. In short, we have no problem issues in the investment area, but are aware of lowered expectations going forward. This will be a concern with the composition of the age-based portfolios when the new program manager presents their suggested portfolios.

Karen McKechnie began Callan's report relating the concerns of debt in Greece and then reviewing the domestic market which was up for the quarter but mostly flat for the year. Following her broad comments, she then reviewed the underlying funds pointing out specific items, but nothing of great concern now. There have been no

staff changes at the funds that would require reaction. *Oemichen* and *Johnson* said that in this period approaching a program manager transition it could be difficult to change a fund and then possibly change again shortly with the new manager. From a fiduciary point, however, we still need to monitor the existing lineup.

The committee is looking for input regarding the green-yellow-red reporting format. There was agreement that the data was understandable. *McKechnie* then explained some of the more detailed data included in the chart.

There are no recommended changes to the Watch List, currently empty.

- B. Bid process for next program manager** – Due to pending release of the RFP, there is nothing to report until later in the process.
- C. 2012 meeting schedule** – May 14 is the next meeting; August 13 and November 12 are placeholders, subject to change.
- D. 'CE' opportunities for Board Members**
 - 1. NAST/CSPN Training Symposium – May 15-18, 2012
 - 2. Saving for College.com Annual 529 conference – October 2012

VIII. Announcements - None

IX. Adjournment — Motion to adjourn the meeting by *Wegenke* second by *Zylstra*. Motion passed unanimously by voice vote Adjourn at 2:45 p.m.