

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

May 14, 2012
1:00 p.m.

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

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

I. Call to Order and Roll Call – A quorum is present and the meeting was called to order at 1:02 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. Agenda approved as posted.

III. Special Presentation - Jonathan Becker, Ethics Division Administrator, Wisconsin Government Accountability Board. *Mr. Becker* explained that Members are considered state public officials as either being appointed by the Governor or representing an entity defined by statute. He also said the Board is subject to the lobby laws. His comments covered both ethics and lobby rules, and services available to groups such as this board. He discussed a number of examples of what is and is not permitted, and answered questions. The Members thanked him for attending, and he said feel free to call with further questions.

IV. Public Presentations – There were none requested.

V. Approval of Minutes – The Board's minutes of February 13, 2012, were presented. Motion by *Adamski*, second by *Wegenke*, to approve. Motion passed by unanimous voice vote.

VI. Administrative Reports

A. Board Chair Comments – *Oemichen* deferred his comments to later in the meeting. He called upon *DiUlio* for his report now.

B. Program Director Comments – Program assets have grown to \$2.9 billion as of the end of March, *DiUlio* reported. Gross accounts are also up. Budgets and graphs continue to show seasonality. Recent rankings from Savingforcollege.com continue

to be consistently high for both plans, due to in large part to Wells Fargo's portfolio construction.

He is leaving later today for CSPN's national conference and will report any issues needing attention. The SEC, however has put on hold their proposal to require volunteer board members to register as investment advisors, in response to a large amount of public comment. A new development in Congress is a bill incorporating the language of 529 in plans to assist families with disabled children. Action is unlikely this year, but any investment plan parallel to college savings 529s could create opportunities or problems. Also, there were no proxy votes during the quarter.

- C. Department of Administration** – *Wolff* gave a brief timeline for the State's procurement process to replace Wells Fargo Funds Management as program manager. The DOA rules now include more steps and time in the bidding and evaluation procedures. The RFP process is still underway from the receipt of the initial proposals, and many details cannot be made public for negotiation reasons. The contract is complex and may take many months to complete. The proposer that has been selected to initially negotiate a contract can be announced, but releasing other specific information could compromise the negotiation process. TIAA-CREF Tuition Financing, Inc. has been invited to enter into talks with the state, recommending a range of replacement and other investments as well as new features for the program.

DOA plans to involve both the Board and Callan Associates in the development process as it proceeds. *Wolff* also reminded all that the Statutes require existing accounts to be transitioned to investments similar in composition, risk, and at a cost not higher than currently charge. Concerns were raised by *Sarah Henriksen* of Wells Fargo to make information available for the call centers and websites as soon as allowed, for existing and potential customers. *DiUlio* said we are 21 weeks away from the end of Wells Fargo's contract.

Oemichen expressed his appreciation of the Wells Fargo staff during these transition months.

- D. Manager [Wells Fargo] Comments** – *Shane Martwick* reports that Bankers Bank has offered to extend their reduced fee for the EdVest Bank CD portfolio for the remainder of the current contract. Regarding the annual account fee of \$20 on some accounts (82% in 2011 qualified for the waiver), the fee will be cut in half to \$10 due to the remaining time left and will be applied two months early than the normal September date to avoid conflicts with ending activities.

The call centers are receiving a higher volume of questions from both account owners and financial advisors regarding the transition.

Some of the remaining outreach activities have included the 5-6,000 families at the Madison Kids Expo and a similar event in West Allis with 20,000 families. Other events are scheduled at the Milwaukee County Zoo. *Laura Wilkinson* reviewed the remaining schedule of 2012's market planning, events, and expenses.

Martwick then distributed copies of Wells Fargo's 2011 Year-End Summary, available again this year on DVD discs or in a ring binder format.

VII. Old Business – None

VIII. New Business

- A. **Investment Committee** *Johnson* reported from this morning's committee meeting, which included First Quarter reports from Callan, discussion regarding the Watch List procedure, and an update to the existing Investment and Policy Objectives document.

Annoesjka West began Callan's report with the Executive Summary. The first quarter was good, in spite of the troubles in Europe. The S&P was up in double digits, all categories were in the black except utilities. We will continue to see some continued volatility. Assets were up by a good measure due to the quarter's markets. She then went into detail on some of the individual portfolios and underlying funds in their report. Looking back three to five years, the results are more mixed and could likely continue.

Some conversation took place regarding changes to our existing Watch List criteria, removing the four-quarter measure, extending the trailing 3-year period to 3 and/or 5-year, and recognizing the difference between active and passive funds. These changes were discussed in detail by the committee and appeared to provide a better measure.

Johnson brought two recommendations from the Investment Advisory Committee:

Revise the criteria for funds or portfolios to be included on the Watch List.
Carried by unanimous voice vote.

Place two funds in each plan on the Watch List: EdVest plan, Wells Fargo Advantage Capital Growth Fund and Wells Fargo Advantage Diversified International Equity Fund; Tomorrow's Scholar plan, Columbia Marsico Growth Fund and Wells Fargo Advantage Capital Growth Fund.
Carried by unanimous voice vote.

B. 'CE' opportunities for Board Members

Members interested in attending the Callan conference in Chicago or the Savingforcollege.com conference can contact DiUlio for details.

- IX. Announcements** – The next meeting is August 13, and the November 12 date is tentative, subject to scheduling.

- X. Adjournment** — The meeting was adjourned at 2:45 p.m.