

# 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

August 18, 2014  
1:00 p.m.

MEMBERS PRESENT: *Brad Elmer, Doug Hoerr, Ken Johnson, Bill Oemichen, Kim Shaul, Pat Sheehy (by phone), Wendy Wink, John Wheeler, Jim Zylstra.*

OTHERS PRESENT: *Annoesjka West, Callan Associates; Catherine Burdick, Jeremy Thiessen, Kerry Alexander (by phone), all with TIAA-CREF; Paula Smith, Andy Schlueter (both by phone), with Voya Investment; and Jim DiUlio.*

**I. Call to Order and Roll Call** –Chair *Oemichen* called the meeting to order at 1:07 p.m. with a quorum present. (See above for attendance.) He welcomed Brad Elmer as the new Board designee for DOA. Introductions followed.

**II. Approval of Agenda** – Motion by *Wink*, second by *Zylstra* to approve the agenda. Motion carried. Staff reported that the meeting agenda has been properly posted.

**III. Approval of Minutes of December 2, 2013, February 24 and May 19, 2014** Motion by *Wink*, second by *Zylstra* to accept and approve the three sets of minutes. Motion carried.

**IV. Public Presentations** [if requested in advance] – none today

## **V. Administrative Reports**

**A. Board Chair Comments** – none today

**B. Department of Administration** and

**C. Program Director Comments** –

*DiUlio* reported on the busy summer of outreach activities, including the recent Farm Technology Days with many other state and federal agencies. The event draws up to 60,000 and we visit with at least 1,000 people each day. Savingforcollege.com website has recently awarded both plans with ‘five graduation caps,’ their highest ratings. Morningstar interviews in Chicago began two weeks ago with the Voya staff for Tomorrow’s Scholar and the TIAA-CREF team will interview tomorrow for the Edvest plan. Published results are expected in October.

On the state and federal front, a part of Wisconsin Act 227 took effect on June 1— the recapture of previously deducted contribution amounts when an owner makes a non-qualified plan withdrawal. This is similar to current federal tax treatment. Act 227 also indexes the contribution state tax benefit amount; for the 2014 tax year, up to \$3,050 may be subtracted from income, replacing the long-time \$3,000 amount.

In Congress, the ABLE/disability account legislation continues to move along. The relationship of these accounts to current 529 plans is still under development. Another bill introduced (Aspire accounts) would grant each newborn child \$500 as a college savings starter account, or for a home purchase.

There were no proxy votes to report. He also reviewed the expense and revenue report for the just-ended fiscal year, all ending well.

**D. Manager Comments** *Catherine Burdick*, of TIAA-CREF, began today's reports. She reviewed the year's earlier Edvest promotions, the library Leap into Reading promotion with the Green Bay Packers and the tax-time and other direct messaging. Public responses, media coverage, and lead generation numbers continue to be very good. Social media is proving to be effective and reasonable in cost. *Shaul* asked about images and photos used, whether they reflected diversity. *Burdick* replied that we use a range of images to cover our Wisconsin demographics. Other outreach included activities with DFI, young mother groups, and broadcast media. A new inquirer program will now employ a seven-piece contact with prospects. And online promotion with Packers-related has resumed.

Information within Board materials included college destinations of Edvest withdrawals (only those sent directly to institutions). The data is not yet precise by campus, since it measures dollars and not the number of distributions, but it shows a wide range of schools used. Discussion then continued on working with all Wisconsin schools to assist with pre-college information, during the busy fall season. *Zylstra* offered introductions to the tech college system marking consortium.

*Kerry Alexander* continued with Edvest statistics as of the end of June. The growth rate of Edvest accounts stand out among direct plans nationally over the last few quarters. More account owners are selecting e-delivery of account information. And the account penetration rate by county over the last two years has increased in 67 of the state's 72 counties. Customer response standard were met for the quarter.

*Alexander* then introduced *Jeremy Thiessen*, who will lead TIAA-CREF's 529 plans investment team. *Thiessen* gave a brief introduction, including his experience working with 10 state 529 plans as an outside consultant

*Paula Smith* of Voya then highlighted continued development of the Tomorrow's Scholar plan, including account growth, the addition of Rob Tirrell for 529-dedicated national distribution, and Group 529 initiative for the employer market. The recent state legislation has been well received by the advisor network, as well as adding dollar-cost-averaging and advisor webinars. Sales continue to grow; 40% came from new accounts in the last quarter. The Savingforcollege.com rating of 5 Caps is welcome, especially since they look at plan features and local tax benefits in addition to just investments as Morningstar does.

The recent addition of Tomorrow's Scholar on the Pershing Omnibus platform will simplify the process for advisors, streamlining the enrollment process with greater automation starting today, August 18. *Andy Schlueter* said that the system will encourage more use of the plan since all but handful of 529 advisor plans still use paper applications and checks to open accounts. He added that about 90 firms nationally have relationships with both Voya and Pershing, and training meetings are underway.

Back to School campaigns start in September, *Smith* said, again using the email process. National sales staff webinars featuring Chris Stack are scheduled for September, October, and November. Rob Tirrell will be doing UBS TV later this year. Marketing materials have been updated, and inroads have been made using electronic media.

**VI. Old Business** none today

**VII. New Business**

- A. **Investment Committee Report** *Ken Johnson* reported a few items from this morning's committee meeting. Last quarter, the effects of interest rates and the current environment relating to fixed investments were discussed. Today, Bill Theriault of Voya Investment presented his thoughts on equities, and in particular the Voya portfolios in the plan. The committee also received a report from Callan reviewing our plans' glidepaths and fund selections—in short we are mostly in the mainstream in relation to our 529 peers. Earlier, Callan delivered a report on our fees compared to 529 peers. Both reports will be helpful leading to the December meetings where we will discuss allocation and investment adjustments for the coming year. Lastly, Pimco Total Return Fund continues on the Watch List, not for performance reasons, but because of internal changes there and continuing redemptions in response. Liquidity is not a great concern now, and our positions are relatively small to total assets. However, the committee felt consideration of Pimco that should be part of the year-end investment discussion. Also up for consideration is the total number of investment choices in the direct plan. A number of portfolio choices carried over from the old lineups in 2012, and last year the committee felt it was too soon to consider changes for low subscriptions.
- B. **Review of Second Quarter investments** *Annoesjka West* reported the economy from the US perspective looked good for the second quarter. The global picture wasn't as bright, through July. Investment performance rebounded during the second quarter, nearly every segment in the black. Developed markets saw a range of results. Fixed investments were also mixed. Referring to the plans, assets were up for most portfolios in both plans (refer to Executive Summary). Overall, so far so good with less than a full market cycle.
- C. **"CE" opportunities for Board members** A Callan Associates regional workshop 'The Education of Beta' will take place October 21 in Chicago. Board members are invited and the program will pick up travel expenses.

**IX. Announcements** – The next meeting will be December 1.

**X. Adjournment** — Motion by *Wink*, second by *Wheeler* to adjourn. Carried. The meeting was adjourned at 3:15 p.m.