

Minutes of the Meeting of the College Savings Program Board

Wisconsin Department of Administration Building
MacArthur Room
101 E Wilson Street; Madison, Wisconsin

August 22, 2017 – 1:00 p.m.

MEMBERS PRESENT: *Rob Kreibach, Rob Kieckhefer, David Erdman for Scott Neitzel, Bill Oemichen, Sean Nelson, Gary Evenson for Rolf Wegenke, and Jim Zylstra.*

OTHERS PRESENT: Michael Wolff, Annoesjka West, Josh Dennin, Paula Smith, Vivian Tsai, Catherine Burdick, Pam McNulty, Glenn Friedman, Greg Reiman, Jessica Fandrigh, Jim DiUlio.

I. Call to Order and Roll Call – Chair *Bill Oemichen* called the meeting to order at 1:00 p.m., with a quorum present.

II. Approval of Agenda – Without objection, approved. Staff reported that the meeting notice and agenda have been properly posted.

III. Approval of Minutes of May 31, 2017 Motion by *Jim Zylstra*, second by *Kieckhefer* to approve the minutes. Carried.

IV. Public Presentations [if requested in advance] – none have been requested.

V. Administrative Reports

A. Board Chair Comments – *Oemichen* reviewed that we are up to 4.7 Billion dollars, and we have nearly 300,000 accounts, and of note over three billion dollars has been withdrawn from the program to finance higher education costs. It is also noted that more than 500 million of that was tax-free growth. We are celebrating our 20th Anniversary of the 529 Program this summer and today we have a cake to celebrate. Photos were taken and introductions of all present.

B. Department of Administration – *Erdman* stated that the state budget deliberations are continuing with passage around September 22. The Program's move to the Department of Financial Institutions is part of that legislation with an anticipated official move around October 4. Jim and Jessica have been very busy in anticipation for this move, as well as with ongoing program operations, preparing for this meeting, outreach events. DOA extended the program management contract with TIAA Tuition Financing in June. He reminded all of the Program's 20th Anniversary event to take place at the State Capitol on September 19th, from 10:30-2:00 p.m. All are encouraged to attend that event.

C. Program Director Comments – No communications for the Board have been received since the last meeting.

DiUlio related a recent customer complaint came up that illustrates some of the unique rules of 529. Grandparents had separated, with one partner owning the 529 account, while the other had some financial powers of attorney. The owner withdrew from the account and the other questioned why that was allowed considering the POA. The 529 rules give the account owner total control and we handled the situation correctly. However, it brings up a good practice of naming a successor owner so that person can step in and take control in the event of a stroke or diminished mental capacity. The successor only takes control in the event of disability or death, and the owner control includes changing these instructions at any time.

The program received some media attention with the nationwide podcast *Stacking Benjamins* as *DiUlio* was their guest for the 20 minutes on the back to school show. The light-hearted program is hosted by two Ameriprise financial planners supposedly broadcasting from their basement via shortwave radio.

Progress continues with assisting the Milwaukee Children's Savings Account (CSA) initiative. Two weeks ago, the city council approved \$50,000 for the program's start-up costs and program development for fundraising. The city and partners are on track to launch operations in 2018. Initially, each kindergarten student will be credited \$25 in an entity 529 account for higher education expenses, with additions based on academic progress, attendance and other measures. CSAs have been up and running in many states and cities during the past few years, based on focused research. Milwaukee sees this initiative as a long-term investment to prepare and keep future generations in the community.

D. Program Manager Comments

Vivian Tsai, *Catherine Burdick* of TIAA-CREF, and *Paula Smith* from Voya presented highlights of Edvest and Tomorrow's Scholar performance and operations for the second quarter. (Refer to the presentation decks) *Catherine Burdick* gave an Edvest Wisconsin marketing report update and overview.

Smith said that 2017 has been a very positive year for Tomorrow's Scholar on multiple fronts, with new sales records and 25% growth year over year. Part of that success is due to the 529 specialist team that supports our wholesale distribution channel, including a Wisconsin-based representative. The plans has replenished 75,000 new accounts over the last five years. She announced an exciting sales launch for Tomorrow's Scholar through their affiliated Voya Employee Benefits group for workplaces, also partnering with the Voya investment advisor channel. With the broker dealer channel, Edward Jones has come on strong up 35% year over year, and RW Baird also continues to be a go to supporter of Tomorrow's Scholar. Other events with national focus include outreach events, webinars, and employee giving.

Tsai reported second quarter Edvest assets are up to over \$2.8 Billion, 16.8% higher year over year, while 529 industry averages are about 15.7% Both market appreciation and new account generation are factors. Contributions are up around 5%, \$65 million

dollars in contributions so, net flows are also up 4.5% that includes a 6% redemption rate. We are working from a marketing perspective to keep that account growth strong. She added that increases in the automatic contribution rate will also increase sustainability for the plan.

Burdick reported that Edvest's core marketing program, operated by a new vendor since the first of the year, is showing success while advantage of better technology. The current focus is on marketing to millennial parents. An episodic campaign began around 529 Day, with very promising results, while the most of the resources were placed behind the plan's "always-on" campaign. She shared some examples of electronic banner ads for the targeted markets, and related that an increasing number of messages are now received via mobile devices. Also launched was an onboarding cadence to new account owners, with multiple messages to learn more about the program and help understand the nuances of 529. This 90-day cadence should encourage more regular savings and likely more contributions over time.

VI. Old Business none today.

VII. New Business

A. Investment Committee Report - Review of First Quarter Investments

Kieckhefer said that we reviewed the underlying funds, we reviewed the portfolios, and the funds in general are doing fine—those that are not we have on the Watch List. Last quarter we put the Clarion Global Real Estate on the Watch List, and it magically starts performing once we put it on the watch list.(!) It outperformed the benchmarks by 230 basis points. We recommended to add Columbia Dividend Opportunity to the Watch List at the Committee meeting

The market and economic activity for the second quarter was presented by Callan's *Annoesjka West*. She commented on the broader markets (see the Executive Summary) and detailed the performance of each plan's portfolios and underlying investment to benchmarks and peers.

B. Watch List update, recommendations The Investment Advisory Committee made a motion to add the Columbia Dividend Opportunity Fund to the watch list, Motion carried.

C. Tuition Units Plan Update *DiUlio* then provided a history, going back 20 years (and the original Edvest-named plan). The program sold Tuition Units, calculated what anticipated tuition would cost, for public, private schools, and out of state schools. This plan was based on actuarial assumptions, and was not prepaid tuition as some states offered. We stopped taking new money into the plan at the end of 2002, but existing accounts remain today with about 300 accounts remaining. They are fully funded to the last payouts in 2022 five years from now, and a few more in 2024. Anticipated liabilities match our invested assets, currently about \$2.5 million invested in the bonds, with another five to six hundred thousand held in the state's investment fund (SIF). A recent bond matured, with another million dollars coming in October. Our current strategy is to keep the proceeds in the SIF with the plan ending in a short time. Currently SIF is earning about 88 basis points on an annualized basis, for a relatively risk free position. Most of the tuition units underlying investments made around the 2002 closing were Resolution Corp Strips, the federal

entity that bailed out the troubled savings and loan association. Most of them carried a coupon of about 6 to 6.5% interest. They have served the tuition unit plan really well over the years. Not every state with prepaid or tuition plans can say they are 100% solvent as we can. The planning 15 years ago was excellent, with less than \$30,000 remaining in 2024, a fraction of a percent.

The remaining Tuition Unit plan account owners are serviced through the Edvest savings plan call centers for address changes and withdrawals. And the toll-free number from the 1990s remains today 888-edvestwi (888-338-3789).

IX. Announcements – None

X. Adjournment — *Nelson* made a Motion to stand adjourned. Carried. The meeting was adjourned at 2:59 p.m.