

# Minutes of the Meeting of the College Savings Program Board

Held in the State Treasurer's Conference Room, Fifth Floor  
1 South Pinckney Street  
Madison, Wisconsin

August 17, 2005  
12:00 p.m.

MEMBERS PRESENT: *Adamski, Darling, Johnson, Wegenke, Durcan, Oemichen, Plale, Reid, Voight, Wolff*

MEMBERS ABSENT: *Clumpner*

OTHERS PRESENT: Marty Olle and Rich Janosik, EDVEST Program; Susie Schooff, Sen. Plale's office; Tom Petri, Sen. Darling's office; Andrea Feirstein, AKF Consulting

**I. Call to Order** – The meeting was called to order at approximately 12:35 p.m. by Board Vice-Chair *Voight*.

**II. Roll Call** – See above.

**III. Approval of Agenda** – *Wegenke* moved and *Durcan* seconded approval of the agenda as posted and distributed. Motion passed by voice vote without objection.

**IV. Approval of Minutes** – *Reid* moved and *Adamski* seconded a motion to approve the minutes of the June 16, 2005 meeting of the Board, as distributed. Motion passed on a voice vote without objection.

## **V. Administrative Reports**

**A. Board Chair Comments** – Deferred until later in the meeting.

**B. State Treasurer Comments** – *Voight* reported on his meeting with Wells Fargo about the marketing plan for the remainder of the calendar year. Wells plans to integrate their marketing plan with their retail banks in the state, and plans to spend about \$180,000 more this year than last year, for a total of \$487,500. *Olle* reviewed the dollar amounts for marketing with the Board, and the timeframe for the advertising spends. *Johnson* asked if this represents all the money that is being spent on marketing, and *Olle* responded that the state is not supplementing these funds at this time. *Wegenke* asked if there were any measures of the effectiveness of the marketing efforts, and who they use as their marketing agency. *Olle* responded that most of the advertising was done by internal Wells Fargo staff, not an outside agency, and they conduct regular research to measure cost-effectiveness of various initiatives. *Wolff* reminded the board that Wells needs to be reminded that a person walking into a retail bank should not be steered to the advisor-sold product, but first

be offered the direct-sold no-load EdVest. [Editor's note: Wells intends to follow the "no-load first" policy.] Wegenke asked that an evaluation plan for the marketing of the program be a part of the RFP review process. Adamski asked what would prohibit other banks from spending to market EdVest, but he wants it to be clear that this is Wells Fargo money. He also asked about the status of the CD investment option. He wondered how this might be incorporated into the program. Voight replied that it is not likely to be added to the program until after the year-end marketing push.

**C. Program Director Comments** --- Olle reminded the Board that the American Express organization has spun off its financial advisors group, and it is being called Ameriprise Financial, and the mutual funds will be known as Riversource Funds. Beginning next month, financial advisors in Wisconsin will be able to sell either EdVest or *tomorrow's scholar*, and Wells Fargo advisors nationwide will begin offering *tomorrow's scholar*. Other financial advisors will also be able to sell *tomorrow's scholar* to their clients.

Agenda items for future meetings include an investment performance review, and a discussion of creating a mechanism for dropping an investment option for poor performance.

The fiscal year 2004-2005 audit is underway, and the audit firm has been changed this year from PriceWaterhouseCoopers, to KPMG. Staff are working on the program's annual report, and any input from the Board would be appreciated. Last year's report is available on the program's web site.

Olle reviewed financial results for the program. Assets increased in the most recent fiscal year by about 22%, the number of accounts increased by about 17,000. Administrative revenues from program fees totaled \$1.7 million, and expenses were \$580,000. The contingency fund has a balance of just over \$5.7 million. He discussed the monthly activity graphs and potential changes in future reporting.

Janosik summarized the recent national College Savings Plan Network conference he attended. Key issues at the conference were 1) the draft MSRB rule regarding marketing of 529 plans raises concerns because advisors would be required to make more disclosure for a 529 investment than any other type of securities investment, and 2) disclosure principles adopted at the 2004 annual conference have been refined to include additional information to potential purchasers of the plans to allow for easier comparability between plans. Feirstein added that the SEC has been pushing 529 plans to improve their disclosure, and it is important to pay attention to their concerns. (Sen. Darling joined the meeting.)

**A. Board Chair Comments** -- Darling stated that the discussions held at the first part of the Board retreat were very insightful, and thanked Feirstein for her presentation at the previous meeting.

## **VI. New Business**

**A. Brainstorming Session on the Past, Present and Vision for the Future of Wisconsin's 529 Plan** – Wolff raised the issue of what would happen to *tomorrow's scholar* if we migrate to a new vendor. Wegenke stated that if the discussion at the meeting will involve the re-bid process, it might be appropriate to move into closed session to continue the discussion. Wegenke moved, and Voight seconded a motion to go into closed session, pursuant to the exemptions contained in s. 19.85, 1 (e) Wis. Stats. for deliberation of investment of public funds or other business where

competitive reasons are an issue. A roll call vote was taken, and the motion passed by 9-0.

The Board discussed options with regard to the issuance of the RFP for program services in closed session. At approximately 3:00 p.m. a motion was made by *Wolff* and seconded by *Johnson* to return to open session. Motion passed unanimously by a voice vote with all members present voting in the affirmative.

**D. Responsibilities and Jurisdiction of the Board and DOA** – *Adamski* commented that when the Strong problems arose, the Board was in the uncomfortable position of being held responsible for decisions that were actually made by the Department of Administration. He believes the legislature should look at a change in the law to give the Board more decision-making authority regarding the program and contracts with vendors. *Darling* concurred with this view, and suggested that she and Senator *Plale* might discuss with the Legislative Council and Legislative Reference Bureau options for restructuring the responsibilities for the program. *Wolff* related that DOA is involved the way it is because it would be unprecedented for any other office of state government, other than DOA's Capital Finance, to be involved in the issuance of state securities. He said that he would recommend the contracting and RFP process be shared by DOA and the Board. If there is a way that DOA could retain control of the issuance of the securities and give more authority to the Board, he would be fine with that. *Johnson* commented that another element of confusion for the Treasurer is that his office runs the program, and he is also a member of the Board. *Olle* pointed out the duties of the Board that are described in state statutes. DOA is assigned the charge of selecting a vendor for the program and contracting with them.

**E. Board Governance, By-Laws, Meeting Schedule, Officers** – *Olle* mentioned that the Board has never taken up the question of putting by-laws into place for the Board's operation. *Wegenke* stated that the Board sometimes takes a position during a meeting, but there is no place where the positions are written down [i.e. a compendium of board decisions]. *Johnson* does not think that formal by-laws are necessary, and would prefer a listing of all the things the Board needs to do during the year, including an annual investment performance review. *Johnson* said having the outside managers come in to report to the Board each year would be a good process to follow. This might include a formal process for the termination of an investment manager. *Voight* mentioned that the Board should review the new fiscal year annual administrative budget, including salaries and other expenses of the program. Both *Johnson* and *Wolff* suggested that funds continue to be provided for the EAI investment performance monitoring contract in the budget. Concern was expressed about the size of the program's reserve. *Johnson* thought that formalizing the size or the use of the reserve might be useful for the Board. Keeping the Board informed of the size of the reserve is important.

*Durcan* said if a calendar of events is prepared, a regular meeting schedule might arise from that. *Voight* agreed that having a timeline for Board activities for the year, and setting meetings on a particular day of the month would be useful. *Darling* agreed that a list of tasks would be helpful for the Board to have, so that the meetings could be scheduled around that task list. The Board discussed days for holding meetings and a general consensus was reached that Mondays are the best for most board members. *Voight* mentioned that he believes most Board meetings to date have been held on Wednesdays or Thursdays.

*Johnson* asked about the need for meetings concerning the RFP process. *Wolff* stated that DOA would be proceeding, but he did not know whether there would be a need to get the Board together for it. *Durcan* asked about distribution of the RFP

before it is released. *Wolff* said he would check, but thought releasing it might not be consistent with the procurement process.

**VII. Announcements**

There were no other announcements.

**VIII. Adjournment**

*Wolff* moved and *Johnson* seconded a motion to adjourn. The motion carried by voice vote and the Board adjourned at approximately 3:29 p.m.