**College Savings Foundation**

**Board Meeting**

**February 12, 2013**

**Scottsdale, AZ**

Present: Peter Mazareas, Strategic Advancement Group; Roger Michaud, Franklin Templeton Investments; Mary Morris, Virginia College Savings Plan; Kyla Doyle, Fidelity Investments; Steve Jobe, savingforcollege.com; Scott Hintz, State Farm; Paul Curley, FRC; Chris McGee, Virginia College Savings Plan; Elizabeth Fontaine, MEFA; Arthur Dunn, Boston Financial Data Systems; Rich Polimeni, Bank of America/Merrill Lynch; Bill Raynor, OppenheimerFunds; Stacey Belford, American Century Investments; Joe Hurley, savingforcollege.com; Tricia Brady, Upromise Investments; Vivian Tsai, BlackRock; Tom Morgan, BlackRock; Mary Nickeson, Archimedes Systems; Rachel Biar; Nebraska College Savings Plan; Steve Piekara, Allianz Global Investors; John Park, BlackRock; Paul Paeglis, Ohio Tuition Trust Authority; Keith Bernhardt, Fidelity Investments; Chris Lynch, TIAA-CREF; Sheff Faulkner, BlackRock; John Bryson, John Hancock; Scott Ridgely, Virginia529; Jim Lynch, Education Trust of Alaska; Ron Estes, Treasurer, Kansas; Stefanie Mattson, State Farm; Rich Calvario, Pershing

Consultants: Barbara Pate, Davis & Harman; Randy Hardock, Davis & Harman; Lynthia Romney, Romneycom; Kathy Hamor, College Savings Foundation

Chairman Roger Michaud called the meeting to order at 2:10 p.m. MST and welcomed everyone to the Board Meeting.

**GAO Presentation:**

Roger introduced Gretta Goodwin and Melissa Emry-Arras from the Government Accountability Office (GAO) who discussed the findings of the GAO report on 529 plans and answered questions.

GAO was asked by Senator Max Baucus, Chair of the Senate Finance Committee, to look into 529 plans. This is the first time any government agency looked into them. The study had three research objectives:

1. What are the characteristics of people using 529 plans
2. What are states doing to make it easier for everyone to participate
3. How do 529 s affect other financial aid for people

To look at the characteristics of people using 529 plans, the GAO used the Federal Reserve’s Survey of Consumer Finances and worked with people at the Federal Reserve. They looked at what people are putting down on financial aid forms, talked with universities and 529 plan sponsors.

The GAO looked at how 529 plans affect financial aid and how the information is used. According to the GAO data, roughly 3% of households have 529 plans. This number is based on the number of households with children under the age of 25. Gretta from GAO stated that this number does not include grandparents, aunts, uncles, etc. CSF data shows that 15% of households have plans vs. the 3% that GAO has. The question asked is “does the 12% difference come from non-parents?” Gretta responded that 3% is of all households. She further stated that the data is not as robust as one would want to do the type of analysis that we would like to have done.

When GAO does a report, they go through the process and then meet with the Congressional officials who requested the report to review the findings. GAO reported that Congress was very interested in the findings regarding what the states are doing to make it easier for everyone to participate in 529s. The issue involved concerns about whether the program is working to help people save for college. GAO mentioned the state matching programs. It was their observation that people don’t have a good sense as to how 529s work.

The presentation then went into how universities are using 529s plans with regard whether they are included in their financial aid calculation. Some universities don’t incorporate 529s into their financial aid calculation as that would bring the financial aid down. Other universities consider 529s as parental assets.

There were a number of questions about the report following the presentation. GAO representatives left the meeting and the CSF Board meeting continued.

**December 2012 Board Meeting Minutes:**

The minutes from the Board meeting held on December 4, 2012 in Washington, DC were approved unanimously.

**Financial Report:**

Mary Morris gave the financial report. She noted that CSF is ahead on registrations and sponsorships for the conference. CSF has $ $208,776.25 on hand. It is early in the year, so there have not been many expenses. The Financial Report was approved unanimously by the Board.

**Conference Committee:**

Kyla Doyle gave the conference committee report. Kyla and Scott thanked the conference committee for all of their work. The conference started the next day with good attendance. The sessions have generated a lot of interest.

Kyla and Scott also thanked the sponsors for their support.

**Media Report**:

Lynthia Romney provided the update on CSF media efforts. The goal continues to be to position CSF as a trusted resource on issues of college savings and financing, with an emphasis on the benefits of 529s as a superior product enabling American families to save for their children’s college education.

The following are highlights of the Media Committee since the December Annual Report and Board Meeting:

**Wrap up of December Summit: “The College Cost Conundrum: Why Is College So Expensive?”**

* Media attendees included the ***Washington Post, Chronicle of Higher Education, CQ Roll Call,*** ***Kiplinger’s, Investment News, Nightly Business Report, eSchoolMedia, Military Advanced Education, Diverse: Issues in Higher Education, Currents (CASE),*** and ***McClatchy News Service.*** ***Wall Street Journal*** and ***NPR*** responded but did not attend***.***
* Distributed Art Hauptman and Paul Curley PowerPoint presentations. Sent to WSJ and NPR, ***Inside Higher Education***, and follow up notes to media attending.
* Stories included ***Chronicle of Higher Education (***and pick up in ***Education Dive***)***, Diverse: Issues in Higher Education,*** and ***eSchool News.***
* Peter Mazareas spoke in follow up with ***Nightly Business Report*** and ***Advanced Military Education.***
* Roger Michaud spoke with ***West Newsmagazine.***

**CSF Conference & Forum for Families: “Making Sense of College Costs.”**

* Conducted extensive media outreach to national and regional Arizona media in advance of the CSF Conference and Forum:
* Created media lists for and sent custom pitch letters to some 175 Arizona print and broadcast media, and roughly 300 leading print and broadcast nationally.
* Conducted follow up telephone calls with conversations including all Phoenix TVs, Associated Press, Arizona News Radio, Business for Breakfast, KTAR Talk Radio, etc.
* Liz Skinner of **Investment News** will be in attendance at the Conference.
* Got Families Forum event listing posted on **Arizona Republic, AZFamily.com, Arizona, Parenting** and **Raising Arizona Kids.** Also sent to **Associated Press** and **Daily Sun** for posting.
* Arranged two interviews for Roger Michaud and Peter Mazareas on **KPAZ-TV**, which will be taped and broadcast The show would air on March 8, 9, 11, 12 and 14th.
* KNXV-TV (ABC) may run the Families Forum in “Freebie Friday,” a weekly report of family opportunities.
* Interested media so far include **Arizona Business Gazette** and **Today’s Campus**.
* Updated talking points for Roger with 2013 data and survey results.

**3Q Data Press Release:**

* Crafted and distributed press release for 3Q 2012 CSF reported data. Press release included input from Legislative Committee on the participation of families with children under 18 in 529 college savings plans, among other comments.

**Other:**

* Working with Executive and Legislative Committees on strategy for addressing issues raised by GAO report.
* Peter Mazareas interviewed for ½ hour radio show and podcast for a network of 12,000 FA’s on January 3rd interview with ***Real Wealth Radio***. Show to air this quarter.
* Peter Mazareas spoke with ***Ignites*** reporter on story following GAO report.

**Membership Committee Report:**

Rich Polimeni gave the membership committee report. He noted that since it is the beginning of the year, there are not a lot of updates. Kathy sent membership information to 3 organizations since the beginning of the year with interest from the College Savings Bank and Spectra Professional Services. Both organizations are attending the conference.

**Legislative Committee:**

Bill Raynor, Barbara Pate and Randy Hardock discussed legislative activity. Bill thanked Davis & Harman for all of their work for CSF.

**State Legislation:**

Bill asked that if anyone knows of state legislation to please let him, Zeny or Kathy know.

Barbara gave the federal legislative report:

**American Taxpayer Relief Act:**

Made permanent the Coverdell enhancements and extended the 2010 gift tax rates for two more years.

Barbara then mentioned that the next issues facing the government are sequester which goes into effect on March 1st unless something is done and the continuing resolution that funds the government until March 27th. The cap for the debt limit was extended until mid-May.

Tax reform has been pushed off. The House Committee on Ways and Means has decided to approach tax reform by breaking down into task forces for various sections of the tax code.

Randy added that the democrats in the Senate will come out with further tax increases in their budget. He added that tax reform will be difficult and will take months.

Barbara then discussed specific legislation.

**H.R. 529:**

Was introduced the week of February 4th and contains the higher cost provisions from last year’s legislation; the employers’ piece and the savers’ piece. Both of these provisions have a high cost associated with them. It is anticipated that a second bill, a technical amendment, will be introduced will include the investment changes and computer fix. It may possibly include the removal of distribution aggregation as well as allowing amounts left in a 529 account to be rolled over into a Roth IRA.

**ABLE Legislation**

Bill discussed the calls with CSPN about this. He stated that CSPN has been very respectful in understanding CSF’s position. CSF made some tweaks to the legislation and sent it to CSPN for review. CSPN agreed with some and took issue with other provisions.

**Attacks on 529s:**

The GAO report conclusions that 529s are used by 3% of the population and are for rich people. CSF is formulating a response to the GAO report.

A question was raised – is there data on 529 recipients and their college completion rate?

The New American Foundation report which recommends that Congress take funds from tax expenditures and spend it on Pell Grants.

**State Legislative Statement:**

Following up from a discussion during the annual meeting, Roger Michaud raised the statement to the Board for approval. There was a discussion as to when the letter should be used and it was decided that it should be follow the rules of engagement. This letter would establish CSF’s position on state tax issues.

A roll call vote was taken to approve the use of the letter.

**Allianz Global Investors Distributors - Aye**

**American Century Investments - Aye**

**Bank of America/Merrill Lynch --Aye**

**BlackRock/iShares -- Aye**

**Fidelity Investments - Aye**

**Franklin Templeton Investments - Aye**

**John Hancock Financial Services - Aye**

**OppenheimerFunds - Aye**

**Pershing LLP - Aye**

**ScholarShare Investment Board - Absent**

**State Farm - Aye**

**Upromise - Nay**

**Virginia College Savings Plan - Aye**

It was also approved that the last paragraph of the letter be posted on the CSF website.

**Regulatory and Legal Affairs Committee:**

Chris McGee gave the report and provided the updates below:

1. MSRB/SEC
   1. MSRB approved amendments to MSRB Rules G-32 and G-34 to streamline the process by which underwriters submit data in connection with primary offerings. The effective date for the amendments is May 6, 2013. (12/24/12) (<http://msrb.org/Rules-and-Interpretations/Regulatory-Notices/2012/2012-64.aspx>)
   2. Bond Buyer News Report: “SEC partisan deadlock threatens municipal rule changes.” Uncertainty over the ability of the Securities and Exchange Commission to enact rules after the departure of Mary Schapiro -- leaving the commission with two Democrats and two Republicans -- has some concerned the commission will fail to agree on a final definition of municipal adviser, which is required for the Municipal Securities Rulemaking Board to move forward on other rule changes. "We expect then the MSRB to move swiftly on the municipal adviser rulemaking suite that it had withdrawn pending the final [definition]," said SIFMA managing director David Cohen. (12/26/12)
   3. MSRB published its [2012 Annual Report](http://links.govdelivery.com:80/track?type=click&enid=ZWFzPTEmbWFpbGluZ2lkPTIwMTMwMTA4LjE0MDY2MjMxJm1lc3NhZ2VpZD1NREItUFJELUJVTC0yMDEzMDEwOC4xNDA2NjIzMSZkYXRhYmFzZWlkPTEwMDEmc2VyaWFsPTE3MDEyMDYzJmVtYWlsaWQ9Y21jZ2VlQHZpcmdpbmlhNTI5LmNvbSZ1c2VyaWQ9Y21jZ2VlQHZpcmdpbmlhNTI5LmNvbSZmbD0mZXh0cmE9TXVsdGl2YXJpYXRlSWQ9JiYm&&&100&&&http://msrb.org/msrb1/pdfs/MSRB-2012-Annual-Report.pdf), highlighting the organization’s activities and provides financial highlights for the fiscal year that ended September 30, 2012. The report provides updates on MSRB initiatives, including the protection of investors and state and local governments, and improvements in municipal market transparency. The MSRB also published on the same day its audited financial statements for fiscal year 2012. (01/08/13) (<http://msrb.org/News-and-Events/Press-Releases/2013/MSRB-Publishes-2012-Annual-Report-and-Audited-Financial-Statements.aspx> )
   4. SEC names Vincente Martinez chief of SEC’s Office of Market Intelligence. (01/22/13) (<http://www.sec.gov/news/press/2013/2013-8.htm>)
   5. MSRB sends reminder of EMMA’s recently enhanced search capabilities. EMMA website users can now more easily locate specific securities and related pricing information among the universe of 1.2 million outstanding municipal securities. (01/31/13) (<http://msrb.org/News-and-Events/Press-Releases/2013/MSRB-Provides-Enhanced-Search-Capabilities-on-EMMA-Website.aspx>)
   6. MSRB notified brokers, dealers and municipal securities dealers that previously deferred changes to MSRB transaction reporting requirements will become effective on February 25, 2013. On that date, dealers must report for inter-dealer transactions the contractual dollar price at which the transaction was executed. (01/31/13) (<http://msrb.org/Rules-and-Interpretations/Regulatory-Notices/2013/2013-03.aspx>)
   7. MSRB published an electronic version of its printed 2013 Rule Book, which describes rules for municipal securities dealers and municipal advisors effective as of January 1, 2013. (02/04/13) (<http://msrb.org/News-and-Events/Press-Releases/2013/MSRB-Publishes-2013-Rule-Book.aspx>)
   8. MSRB is [seeking comment on a proposal](http://links.govdelivery.com:80/track?type=click&enid=ZWFzPTEmbWFpbGluZ2lkPTIwMTMwMjExLjE1NDM2NzYxJm1lc3NhZ2VpZD1NREItUFJELUJVTC0yMDEzMDIxMS4xNTQzNjc2MSZkYXRhYmFzZWlkPTEwMDEmc2VyaWFsPTE3MDM1Nzc1JmVtYWlsaWQ9Y21jZ2VlQHZpcmdpbmlhNTI5LmNvbSZ1c2VyaWQ9Y21jZ2VlQHZpcmdpbmlhNTI5LmNvbSZmbD0mZXh0cmE9TXVsdGl2YXJpYXRlSWQ9JiYm&&&100&&&http://www.msrb.org/Rules-and-Interpretations/Regulatory-Notices/2013/2013-04.aspx) to consolidate into a new rule existing requirements for dealers to disclose material information to customers in connection with the purchase or sale of a municipal security. (02/11/13) (<http://msrb.org/News-and-Events/Press-Releases/2013/%20MSRB-Requests-Comment-on-Proposal-to-Consolidate-Time-of-Trade-Disclosure-Requirements-for-Dealers.aspx>)
   9. Definition of municipal advisor. The final definition of municipal advisors is still outstanding. As a reminder, Dodd Frank raised this issue by the SEC regarding Board and Committee members being considered municipal advisors. The SEC has received many comments on this and it is anticipated that this will not be done. However the SEC still has not ruled on it. It appears that this will be further delayed.
2. Comment on Proposed Regulations under IRC Section 1411. Randy and Barbara have drafted a letter that is currently being reviewed.
3. Litigation Update. Re: the Alabama case regarding the prepaid program; still awaiting a decision.
4. Upcoming Conferences:

NAST Legislative Conference. March 18-20, 2013. Mandarin Oriental Hotel, Washington D.C.

Treasury Management Symposium. May 14-17, 2013. Westin Hotel, Pittsburgh, PA.

**Data Committee:**

Mary Morris gave the report. She mentioned that the data committee will meet the next day to start establishing industry standards.

**Marketing Task Force:**

Co-Chair Vivian Tsai gave the report. She stated that the Task Force is getting together to create social media guidelines about what CSF can post and where. Rich Wolle will be posting. The Task Force will be looking at the website with regard to recommendations made by the Hilltop group. The ad on the CBS Super Screen in Times Square will run until the end of March.

**Administrative Issues Task Force:**

Arthur Dunn and Rich Calvario gave the report and presented the following project ideas:

**Improve Broker-Dealer relationships / support with 529 industry**

Background: Broker / Dealers struggle to deal with unique, additional information requirements and procedures of individual 529 plans. As a result, Dealers may choose not to sell or support 529s. Dealers submit incomplete applications increasing the costs and timeliness of account establishment.

Prospective Action: Leverage CSPN generic application combined with a procedural overview and distribute both upstream (i.e. from program) and downstream (i.e. from platforms). Also determine how Broker / Dealer channel could be better supported by product providers.

**Improve support for RIA / Fee-only Financial Advisors**

Background: RIAs have significant market share in mutual fund market (second to dealers but ahead of direct-sold). The 529 market is thought to be evenly split between dealers and retail-direct customers but in fact RIAs are actively using direct-sold products but not getting the support they need and expect. In particular, there is not a method to provide compensation to RIAs. RIAs may choose not to sell or support 529s. RIAs may overburden direct-sold support channels (e.g. phone units) in an effort to get the information they require to execute, increasing program manager expenses and detract from service to direct customers.

Prospective Action: At a minimum, determine how RIA channel could be supported by allowing the payment of asset-based wrap / management fees from 529 accounts.

**Normalizing the age-band roll process**

Background: Currently the process to roll customers from one age-band to another as the beneficiary ages is fairly unique across programs with respect to timing (monthly, quarterly, annually) and initiation (relative to qualifying birthday) and there are exception processes. Cost and complexity are borne by the program manager, record keepers (primary, sub-accounting and broker platform). The process is not well understood or explainable to the end consumer.

Prospective Actions: Determine whether there is opportunity to standardize the process across the industry

**Aggregation Requirements**

Background: Currently, it is the responsibility of the program manager to ensure that aggregation requirements (maximum contribution limits, revising earnings / principle ratios on redemptions) are met and maintained across all products offered under the program. Cost and complexity are borne by the program manager, master aggregator and all associated record keepers. The process is not well understood or explainable to the end consumer and certain types of adjusting transactions result in inquiries by the consumer.

Prospective Action: Determine whether there is a way (legislatively we assume) to either eliminate the requirement or adopt a reporting process (similar to the way IRA contribution and withdrawal rules are reported) that would put the onus of compliance on the account owner and IRS.

It was recommended that escheatment be added to the list of issues.

**Discussion of New America Foundation Report:**

Based on the report that was distributed to CSF membership, Roger led the discussion on next steps. It was decided that CSF should meet with Kevin Carey of the New America Foundation to discuss this. As a reminder, Kevin participated in the CSF Summit in December.

A small group should be identified to discuss next steps.

**2013 Board Meetings:**

Kathy will poll the Executive Committee about meeting dates in May/June; September and December. She will then poll the Board about their availability during these dates and will send out the dates to all members.

The meeting was adjourned at 5:00 p.m. MST