**College Savings Foundation**

**Board Meeting**

**June 10, 2013**

**Washington, DC**

Present: Peter Mazareas, Strategic Advancement Group; Roger Michaud, Franklin Templeton Investments; Kyla Doyle, Fidelity Investments; Paul Curley, Strategic Insight; Elizabeth Fontaine, MEFA; Arthur Dunn, Boston Financial Data Systems; Bill Raynor, OppenheimerFunds; Joe Hurley, savingforcollege.com; Regina Carmon, College Savings Bank

On Phone: Scott Hintz, State Farm; Mary Morris, Virginia College Savings Plan; Chris McGee, Virginia College Savings Plan; Vivian Tsai, BlackRock; Mary Nickeson, Archimedes Systems; Steve Piekara, Allianz Global Investors; John Park, BlackRock; John Stergiou, Allianz Global Investors; Chris Lynch, TIAA-CREF; John Bryson, John Hancock; Alan Hess, Strategic Insight; Rich Wolle, Franklin Templeton

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 1:05 p.m. EST and welcomed everyone to the Board Meeting.

**February 2013 Board Meeting Minutes:**

The minutes from the Board meeting held on February 12, 2013 in Scottsdale, AZ were approved unanimously.

**Legislative Committee:**

Bill Raynor, Barbara Pate and Randy Hardock discussed legislative activity.

**State Legislation:**

Bill gave the following report for state legislation:

* In Montana, SB 117 was signed into law this year. This is a tax equity bill.
* In Nebraska, LB 296 was signed into law which increased the state tax deductions for contributions to the Nebraska plan from $2,500 to $5,000 and $5,000 to $10,000.

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

Randy and Barbara gave the federal legislative report:

**Current Federal Legislative Landscape:**

Randy discussed the current legislative landscape and mentioned that the IRS problems are the latest wrinkle in the partisan battles. The controversy is over the IRS division covering tax exempt matters and benefits issues. The scandal has decimated this function and morale at the IRS is very low. Looking at the bigger picture, this is accelerating partisan debate and is slowing down other issues such as tax reform.

Randy further stated that the deciding factor for tax reform could come about as part of the resolution involving the debt limit which will take place in September or October. Not much is expected unless the debt limit includes a path to tax reform which would accelerate its consideration. He also said that neither the White House nor the Senate Democrats want tax reform right now.

Barbara provided an overview on the status of tax reform. House Ways and Means Committee Chairman Dave Camp (R-MI) is term-limited as Chair of the Committee, while Senate Finance Committee Chairman Max Baucus (D-MT) is retiring in 2014. Both are very committed to tax reform.

Earlier this year, the House Ways and Means Committee created a number of bi-partisan tax reform working groups. Education issues were considered in the group chaired by Rep. Diane Black (R-TN) and co-chaired by Rep. Danny Davis (D-IL). Mary, Zeny, Randy and Barbara met with the staff of this working group, and CSF submitted a statement to the working group. The information from the various working groups was compiled by the Joint Committee on Taxation, which also summarized various proposals submitted by stakeholders and the public. With regard to our issues, much of the discussion was focused on the number of tax credits for education, with very little discussion about 529s.

The Senate Finance Committee is taking a different approach from that taken by the Ways and Means Committee, scheduling a series of 10 “Members-only” meetings to discuss a tax reform “topic of the day.” In conjunction with these meetings, the Finance Committee staff put together options papers to facilitate the discussions. These papers do not necessarily reflect the position of the Chairman or Ranking Member. The options paper covering education includes proposals that run the gamut from repealing the education tax incentives to disallowing further contributions to education savings accounts once a combined balance exceeds a certain threshold.

Barbara and Randy then discussed specific legislation.

**H.R. 529**

H.R. 529 was introduced on February 6 and contains the higher cost provisions from the 529 legislation introduced in the 112th Congress. These provisions are the employers’ piece and the saver’s credit. There is one co-sponsor for the bill. Chairman Camp has asked Ways and Means Committee Republicans to hold off sponsoring and cosponsoring tax legislation while the Committee discusses tax reform. There have been some exceptions, including the Chairman’s approval given for introduction of H.R. 529 in order to preserve the bill number.

**ABLE Legislation (H.R. 647/S. 313)**

This legislation is very popular and both the House and Senate bills have a large number of co-sponsors. Randy noted that the bill sponsors wanted to get the bills introduced and the language has not been changed with the suggestions we made last year. Roger and Bill have been in discussions with CSPN about taking a broader approach to include using existing 529s with added flexibility. Randy has spoken with staff of Senator Casey and Representative Crenshaw about the bill. In addition, Barbara is reaching out to the disability community. Bill discussed the quiet conversations he had with some state programs at the NAST conference and is optimistic that CSPN will agree to our proposals.

**Schock-Rubio Consolidation Legislation (H.R. 2253/S. 1090)**

These bills were introduced on June 4. The bills consolidate education tax credits and repeal the above the line dedication for qualified tuition and related expenses. Randy mentioned that there is some modest interaction with 529s and will continue to monitor this to make sure 529s are not impacted by an unintended consequence. He reported that Rep. Schock’s staff said the bill was not intended to impact 529s or Coverdells.

**Coverdell Bill (H.R. 2006)**

H.R. 2006was introduced on May 15 and would increase the annual contribution limit on Coverdells from $2,000 to $10,000.

**Student Loan Interest Rate (H.R. 1911)**

The House passed legislation on May 23 to address the issue of the student loan interest rate on subsidized loans doubling on July 1. In a new approach,the House bill tied the interest rate to market rates, setting it at the rate based on the 10-year Treasury note plus 2.5 percent. The Senate considered two bills on the student loan interest rate. The Democrat proposal extended the current rate for another two years and the Republican version set the rate based on 10 year Treasuries plus 2 percent. Both proposals failed on the floor. There will be efforts to deal with subsidized loans before the July1 deadline. If a bill is considered before the July 1 deadline, it likely will only deal with the subsidized loans and will not address non-subsidized and GradPLUS loans. Liz mentioned that the Higher Education Act reauthorization should deal with these loans. She noted that the House Committee on Education and the Workforce has asked for comments and input on the reauthorization legislation and said the comments are due on August 2.

Barbara announced the Congressional visits with the staffs of Reps. Neal (D-AZ); Frelinghuysen (R-NJ); Salmon (R-MA); Cicilline (D-RI); and Young (R-IN) are scheduled for June 11 for those who planned to attend.

**Financial Report:**

Mary Morris gave the financial report. She noted that CSF is on track with the budget. CSF had a successful conference and expenses are tracking as expected. Mary mentioned that CSF is working on a website redesign which will be making some changes onto a new platform. CSF has $160,317.24 on hand. The Financial Report was approved unanimously by the Board.

**Conference Committee:**

Scott Hintz gave the conference committee report. The CSF 2014 conference will be held at the Mansion on Forsyth Park from March 4 – 6, 2014. The Board meeting will be held on the afternoon of the 4th and opening reception that night. The public session will be held in the evening of March 6th. People will be able to get Marriott points and rates are $199 per night.

Possible themes are:

**Suggested Themes:**

* The Value Proposition of College: Working Together to Help Families Succeed

OR

* The Value Proposition of College: Working Together to Help Families Realize Dreams

**Possible Agenda Topics:**

Value of college:

* High School students know they need college, but media is reporting some say it’s not worth the high cost/going into debt.
* Bringing stakeholders (professionals) together to raise awareness.
* Invite College President to speak to how they can help families plan early and save early – have an Alumni Association sponsor?

Financial Literacy:

* Investor Behavior or a Futurist: Bring back [Dr. Frank Murtha](http://www.youtube.com/watch?v=Kmt8C0ie1H4) : Behavioral Finance Speaker, Coaching and Strategy
* Representative from the [National Endowment for Financial Education](http://www.nefe.org/):

(Leading nonprofit national foundation dedicated to inspiring empowered financial decision making for individuals and families)

* Representative from [Junior Achievement](http://www.ja.org/):

(volunteer-delivered, kindergarten-12th grade programs that foster work-readiness, entrepreneurship and financial literacy skills, and use experiential learning to inspire students to dream big and reach their potential.

Saving habits of different generations:

* Do Millennials save better than Baby Boomers
* [Marilyn Moats-Kennedy](http://moatskennedy.com/) – consultant out of Chicago speaks to this

Legislative updates

Marketing

* Hear from those that have had successful campaigns with social media (Virginia)

Controlling Costs

* Representative from Department of Education
* Loan availability and loan rates

Misc Topics:

* What’s the outlook on careers that are in high demand

There was a discussion about the sponsor presentations that were held at the 2013 conference and the consensus is that it was good to have it, but to have it enforceable times allocated to each speaker. An issue to consider is if their sponsorship is considered to be taken as a stamp of approval by CSF. It was discussed that we should consider taking their logos off the home page of the website so this would not be confusing in the future.

**Membership Committee Report:**

Kathy Hamor gave the membership committee report as Rich Polimeni and Stacey Belford were unable to attend the meeting. She reported that since the previous Board meeting, CSF has 3 new members:

College Savings Bank (Board)

Private College 529 (Associate)

GiftedPath (Associate)

Roger mentioned that Executive Committee members made some calls to conference attendees who are not members urging them to join and get a discounted rate for their first year’s dues. He urged others to reach out to potential members and said the discounted rate should be offered to conference attendees if they join.

**Legal and Regulatory Affairs Committee:**

Chris McGee noted that we have not heard about MSRB’s final rules and 529s and provided the updates below:

1. MSRB/SEC
   1. MSRB announced that the Securities and Exchange Commission has approved the MSRB’s revised telemarketing rule to more closely align certain provisions with similar rules of the Federal Trade Commission. MSRB Rule G-39 prohibits dealers from engaging in deceptive and other abusive telemarketing practices. The revisions to Rule G-39 on telemarketing are effective August 22, 2013. <http://msrb.org/Rules-and-Interpretations/Regulatory-Notices/2013/2013-12.aspx> (May 29, 2013).
   2. MSRB released a short video that tells the story of the organization and explains the MSRB’s role in the $3.7 trillion municipal securities market. <http://msrb.org/Videos-About-the-MSRB.aspx> (May 20, 2013).
   3. MSRB released municipal market statistics for the first quarter of 2013, including data that provide details about the trading patterns and continuing disclosure documents submitted to the MSRB, and other figures for the $3.7 trillion municipal bond market. <http://www.msrb.org/News-and-Events/Press-Releases/2013/MSRB-Publishes-First-Quarter-2013-Municipal-Market-Statistics.aspx> (05/14/13).
   4. Comments to Notice 2013 -7 filed. (May 6, 2013)
   5. Notice 2013-11. Changes to MSRB Rules G-32 and G-34 became effective on May 6, 2013 that will streamline the process by which underwriters submit data to the MSRB’s Electronic Municipal Market Access (EMMA®) system in connection with most primary offerings. <http://msrb.org/Rules-and-Interpretations/Regulatory-Notices/2013/2013-11.aspx>. (May 6, 2013).
   6. Notice 2013-10. The Municipal Securities Rulemaking Board (MSRB) is seeking comment on a proposal to consolidate guidance for municipal securities dealers who deal with experienced investors called sophisticated municipal market professionals (SMMPs). <http://msrb.org/Rules-and-Interpretations/Regulatory-Notices/2013/2013-10.aspx>. (May 1, 2013).
   7. Red Flag Rules. See article from MintzLevin: <http://www.mintz.com/newsletter/2013/Advisories/2948-0413-NAT-PRIV-SEC/index.html> (April 24, 1013). These rules have to do with maintenance and creating identity theft procedures.
   8. The Municipal Securities Rulemaking Board (MSRB) published an introductory guide to EMMA for state and local government issuers of municipal bonds. The online guide serves as an introduction to using the Electronic Municipal Market Access (EMMA®) website, and walks state and local governments through using the site to better evaluate their municipal financing options, communicate with investors and comply with disclosure rules. <http://msrb.org/News-and-Events/Press-Releases/2013/MSRB-Publishes-EMMA-Guide-for-State-and-Local-Governments.aspx>. (April 15, 2013).
2. Litigation Update – in the Alabama case, the supreme court approved the settlement where the Alabama tax is frozen at the 2010 levels.
3. Next Meeting: July 17, 2013 at 2:00

**Data Committee:**

Mary Morris reported that the 1st quarter data report and press release are completed and issued. The industry standards initiative will keep moving forward and the group will continue to work with MSRB. The group wants to survey the industry and anticipate that the survey will be ready to go by early 2014.

**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 middle class families to save for their children’s college education.

The following are highlights of the Media Committee since the last board meeting.

**2013 How Youth Plan to Fund College Survey:**

* Updated survey of sophomores, juniors and seniors across the country with input from Executive Committee, Media Committee and Davis & Harman. Distributed to parents of high school students, yielding over 500 student responses. Culled responses to identify key results to produce:
  + Press release
  + Executive Summary with charts and graphs
* Distributed press release to CSF media lists and via PR Newswire (with over 335 postings to include the ***Wall Street Journal*** online). Conducted intensive follow up on CSF media lists with the following placements:
  + ***Jean Chatzky’s*** website (financial editor for The Today Show and personal finance author); ***Kansas City Star*** (syndicated column – ***Chicago Tribune;*** ***Lexington Herald-Ledger; Modesto Bee***); ***Investor’s Business Daily; Financial Advisor; The Salt Lake Tribune; San Diego Daily Transcript; Academic Impressions; Ignites,*** among others.

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

* Arranged live television spot for Roger Michaud on **Channel 3 “Arizona Family**.” Collaborated and prepared Roger with updated talking points and accompanied him to station.
  + Drafted a 250-word summary to post with clip on the website.
* Roger Michaud and Peter Mazareas were interviewed on **KPAZ-TV**, (Trinity Broadcasting Networks) which aired March 8, 9, 11, 12 and 14th.
* Liz Skinner of **Investment News** filed two stories from the Conference.
* Roger Michaud was interviewed by **Arizona News Radio**, which is accessed by 20 affiliates throughout the state.

**CSF Member support -** Thanks to CSF Members for including CSF in their press outreach:

* **Franklin Templeton** article, “Saving for College: A Family Affair,” picked up by **Morningstar.**
* **Virginia529** planned events for 529 Day.
* **TIAA-CREF** including CSF in press release

**Other Media:**

* Roger Michaud quoted on 529 Day in ***Ignites***.
* Peter Mazareas was interviewed by ***Voice of America*** for story on student loans.
* CSF parents survey data included in **CNBC.com** report on Sallie Mae study.
* Roger Michaud’s interview with ***West Newsmagazine*** resulted in a cover story in the St. Louis area magazine.
* ***Ric Edelman*** story on 2012 Parent’s survey and value of using a financial advisor.
* Roger Michaud interviewed by Anna Maria Andriotis of Dow Jones.
* CSF data included in press releases on Oregon 529 College Savings Network and Oklahoma College Savings Fact Sheet.

**Quarterly Data Press Release:**

* Crafted and distributed press releases for 4Q 2012 and 1Q 2013 CSF reported data. Roger Michaud conducted ***InvestmentNews*** interview on 1Q data.

**Marketing Task Force:**

Co-Chair Kyla Doyle gave the report. The CSF ad in Times Square ran until the end of March. CSF did a PSA at the Indy 500 that ran 15 seconds and had over 1.3 million impressions. It ran 144 times over the race weekend.

The Task Force has been active with social media. CSF joined FB on July 29, 2009 and currently has 67 fans. We have gotten 10 new fans/likes from 2/19 – 6/7, 2013. CSF has also been active on LinkedIn and Twitter.

Kyla mentioned that the Task Force would like CSF to become a central repository for information pertaining to 529s which would help expand our presence. She urged members to provide general 529 plan information that could be posted. She mentioned that she has a Viewpoints piece from Fidelity Investments that provides good content for this.

**Administrative Issues Task Force:**

Arthur Dunn gave the report and reminded the group that at the prior Board meeting the Task Force presented a four project ideas; the board acknowledged those ideas and added one more, escheatment. The Task Force is going through the process of assessing and quantifying these ideas in the interests of focusing on those issues of maximum benefit to CSF member firms. The current status is as follows:

* Escheatment
  + Escheatment / Lost Shareholders is a hot topic across the financial services industry this year for a variety of reasons. The CSPN Legal and Regulatory Committee has taken this topic on as one of their key issues this year. CSF member firms with concern with / interest in escheatment may want to contribute resources to the CSPN project.
* Eliminate Aggregation Requirements
  + The task force currently estimates the annual costs of supporting the aggregation process across the industry to be less than $1MM in annual labor costs; we assume that software development costs were incurred years ago and on-going technology costs are minimal. The more significant impact of aggregation may be the perception of product complexity on the part of customers or prospective customers. Next step is to determine how aggregation could actually be eliminated.
* Normalizing the age-band roll process
  + There are certainly differences in rules across programs and which imposes a degree of operational complexity for service providers. However, the task force estimates the annual costs to the industry of supporting the age-band roll process to be on the order of $750k or less in annual labor costs. We will next try to determine the impact of this process, if any, on customer experience.
* Improve support for RIA / Fee-only Financial Advisors
  + The Task Force is working on quantifying the number of RIA’s who are selling / advising clients in the 529 space and identifying the types of support they may need. As RIAs make up a significant and visible asset gathering role in other financial services sectors, we believe that in the absence of supportive share classes, RIA’s are likely putting their customers in the direct 529 programs and the industry may need to respond to that.
* Improve Broker-Dealer relationships / support in the 529 industry
  + Given that it will be some time before the majority of firms are fully-automated in transacting with 529 plans, what more can be done to support these firms in the near term? Paper-based processing of Broker-Dealer transactions requests continue to result in rejects and complicated work-arounds. The Task Force will attempt to determine how significant these issues are and evaluate / share best practices.

The Task Force will reach out to our operations contacts at member firms over the summer to engage them in evaluating our findings, solicit best practices and additional administrative issues of industry concern.

**Other Issues:**

Roger started an open discussion on other issues by recognizing all of the activity that surrounded 529 Day and the week leading up to it. He noted that activity on the advisor side had ramped up.

He asked the group to think about how we can quantify the distributions CSF member firms have made for the time in which 529s have been in existence. Noting that we usually see a large amount of distributions in September to pay for college and we should get ahead of that with a good story to tell about how these products are being successfully used as they were designed.

Joe Hurley asked the group about the Affordable Care Act and what is going on with Medicaid in terms of what states are doing with assets tests and if 529s are a factor in Medicare eligibility going forward. Barbara mentioned that she would ask Randy about this since he is familiar with the Act.

In his closing remarks, Roger mentioned that the Executive Committee looks to members to let they know what is missing, what they would like to see in the organization and if we have overlooked anything. He urged members to contact members of the Executive Committee as he would like to see the organization continue to grow and share our message.

**2013 Summit:**

Roger raised the issue of having a Summit in 2013 and if we were to have one, we would need to get started on it right away. Peter suggested the topic, *The Business of College.* There was discussion about this, but no definite conclusion about having a summit.

**2013 Board Meetings:**

September 17th and December 17th will be the annual Membership and Board meetings.

The meeting was adjourned at 2:55 p.m.