The Education Trust Board of New Mexico

THE HONORABLE SUSANA MARTINEZ
GOVERNOR OF NEW MEXICO

DR. BARBARA DAMRON, CABINET SECRETARY
NEW MEXICO HIGHER EDUCATION DEPARTMENT

Meeting Minutes of June 4, 2015

New Mexico Higher Education Department, 5201 Eagle Rock Rd. Suite 1A Albuquerque, NM

APPROVED
Vera Lyons
Board Secretary
7-16-15

Board Members in Attendance

Dr. Barbara Damron - Chairman
Robert Desiderio - Vice Chairman
Mark Jarmie – Member
Dr. Jose Z. Garcia

Other Individuals in Attendance

Theodore Miller - Executive Director ETB
Vera Lyons, Board Secretary
David Mathews - HED/ETB Attorney
Helen Atkeson - Partner, Hogan Lovells US LLP
Kay Ceserani - Pension Consulting Alliance
Eric White - Pension Consulting Alliance (by telephone)
Steve Dombrower - OppenheimerFunds
Bill Raynor - OppenheimerFunds
Ken Henry - OppenheimerFunds
Michele Nelson - Court Reporter

AGENDA

1) **CALL TO ORDER**

Dr. Damron called the meeting to order at 1:02 PM. Ms. Lyons called the role and announced that three out of four Board members were present and that a quorum existed.

2) **PUBLIC COMMENT**

Chairman Damron called for public comment. There was no public comment.

3) **APPROVAL OF AGENDA**

Chairman Damron turned to the agenda and asked if there was any discussion. There being no discussion she called for a motion to approve the agenda. Mr. Desiderio so moved. Mr. Jarmie seconded the motion. All present voted to approve the agenda as presented to the meeting.

4) APPROVAL OF MINUTES

The Board then turned to the draft minutes of the meetings of February 20, 2015 and March 27, 2015. Chairman Damron asked if there was any discussion relative to these minutes. There being no discussion, she called for a motion to approve the minutes of both meetings. Mr. Desiderio so moved. Mr. Jarmie seconded the motion. All present voted to approve the minutes of the February 20, 2015 and March 27, 2015 Board meetings.

At this point Dr. Garcia joined the meeting.

5) LEGAL MATTERS

a) Custody Contract

Ms. Atkeson brought the Board up-to-date on the status of the new custody contract between Oppenheimer and Citibank. She noted that under the new program manager agreement, Oppenheimer is required to present all subcontracts to the Board for approval. The custody contract is such a contract. She also advised that under the new program manager agreement the account owners rather than Oppenheimer would be assessed the cost for custody of the program's assets. She noted that Oppenheimer had not yet provided a form of custody contract for review.

Mr. Raynor said that negotiations were ongoing between Oppenheimer and Citibank, but that a draft contract for approval by the Board was not yet ready.

Ms. Atkeson noted that the contract needed to be approved by the Board prior to the start date of the new program manager agreement on July 1, 2015.

Mr. Jarmie asked what the approximate cost of the custody contract would be to the account owners. Ms. Atkeson said that it would be similar to the cost of the current custody arrangement.

Mr. Jarmie asked how the cost would be assessed to the account owners. Mr. Dombrower stated that the cost would be accounted for as part of the unit value of each portfolio, and that each account owner would pay part of the fee based on the pro rata share of program assets held by that account owner.

Mr. Miller noted that a telephonic Board meeting would be necessary in June to approve the new custody contract prior to July 1.

Mr. Raynor stated that the contract between Oppenheimer and the Esparza Agency would also need to be approved by the Board. Mr. Dombrower noted that some changes were necessary to the current Esparza contract in order to meet the subcontract requirements under the new program manager agreement. The Board would also need to approve this subcontract prior to July 1.

Ms. Atkeson asked if any other subcontracts required Board approval. Mr. Raynor stated that these were the only two to require such approval.

b) Third Party Fee Disclosure

Ms. Atkeson then turned to the matter of third party fee disclosure. She began by reviewing the "wrapper fees" paid by account owners. These are the administrative fees charged with regard to Oppenheimer managed underlying funds, as well as the administrative fees and additional account fees charged by Oppenheimer on underlying funds not managed by Oppenheimer.

She then noted that there are other fees paid to Oppenheimer on some of the underlying funds that are not managed by Oppenheimer. These fees are paid to Oppenheimer by the underlying funds for services that the underlying funds consider to be performed by Oppenheimer on their behalf. These fees are part of the normal expense ratios of the underlying funds, and are not charged as an addition to the fees otherwise paid by account owners.

She noted that as a fiduciary to the program, Oppenheimer was under an obligation to disclose the existence of such fees. This has been done in a general way in the plan documents. Oppenheimer is also required as a fiduciary to select underlying funds on the basis of their suitability for the program and not on the basis of the fees available to Oppenheimer from those funds.

Mr. Miller asked Ms. Ceserani if PCA, acting as investment consultant to the Board, was comfortable with the selection of funds for the program from an investment standpoint. Ms. Ceserani stated that, based on their investment review of the underlying funds, PCA was comfortable with the funds chosen for the program.

Mr. Miller noted that the fee arrangement between Oppenheimer and these outside funds was a common practice in the industry. He then asked Mr. Mathews to address the Oppenheimer response to the Board's request for the specifics of these fee arrangements.

Mr. Mathews stated that Oppenheimer had disclosed the specifics of these fee arrangements in a letter to the Board, but that Oppenheimer had also requested that the Board treat this information as confidential. He noted that the Board's obligation is to notify Oppenheimer if someone seeks discovery of the fee information.

Mr. Miller noted that the letter was in his possession, and that Board members were free to review it.

Mr. Jarmie asked Mr. Mathews if he was comfortable that the matter violated no provision of New Mexico law. Mr. Mathews stated that he was comfortable. He said that it was similar to the confidentiality requests received from bidders on the program management RFP. Mr. Desiderio also stated that he believed that nothing in New Mexico law prevented the Board from disclosing to Oppenheimer a request for the confidential information.

6) RE-LAUNCH PROJECT PLAN UPDATE

Mr. Dombrower then gave the Board a project plan update with regard to the re-launch of the program scheduled for the end of August. Mr. Dombrower noted that from the technology perspective the project was three to five business days ahead of schedule. He also noted that although the re-launch was scheduled for the end of August, some activities will occur prior to that time.

Two funds are being removed from the program and account owners invested in those funds will need to have assets transferred to replacement funds.

Mr. Henry noted that the investors in the Thornburg International Portfolio will be mapped to the International Growth Portfolio. Investors in the MainStay MAP Portfolio will be mapped to the Main Street Portfolio. Upon questioning by Ms. Atkeson Mr. Henry noted that investors will be made aware of the changes in the plan documents. Upon questioning by Dr. Damron, Mr. Henry noted that the changes will not count against the account owners twice-per-year investment changes.

Mr. Dombrower also noted that investors will receive confirmation statements outlining the transfers and the reasons therefore, as well as receiving the same information in their 3rd quarter statements. Finally, upon further questioning by Dr. Damron, Mr. Raynor stated that the Oppenheimer call center was being trained to respond to any inquiries about the transfers.

Mr. Dombrower noted that a cover letter will accompany the new plan documents explaining the changes as well.

Mr. Jarmie asked that the documents be emailed to the Board as well. Mr. Raynor agreed to have this done.

7) EXECUTIVE DIRECTOR'S REPORT

a) Administrative Fund Balance

Mr. Miller reported that the program administration fund had a balance in $5,760,000 in the Local Government Investment Pool as of the end of April.

b) State Administrative Fee Rebate Expiration

Mr. Miller then called the Board's attention to the decision to rebate semiannually the Board's program administration fee for New Mexico residents. The fee rebate was effective as of January 1, 2013 and was set to expire on June 30, 2015. He noted that the original estimate of the cost of this rebate was $270,000 for calendar 2014, but that the actual rebate amount for that period was $310,000. He noted that the Board had two goals for this rebate.

Mr. Miller noted that the first goal was to reduce the cost of the program to New Mexico account owners. This was estimated at $7 to $10 per account. The second goal of the rebate was to encourage New Mexico residents to enroll in the program. There was no evidence that this goal was achieved.

Mr. Miller then noted that under the new program manager agreement Oppenheimer had committed $500,000 to the Board for marketing and another $150,000 for grassroots outreach efforts. He proposed that the Board allow the fee rebate to expire, and to use the additional funds to further market the program in New Mexico. He observed that the statutory mandate was to increase college savings in New Mexico. He noted that added funds for marketing provided by the Board in the previous year appeared to increase awareness of and participation in the program. In addition funds would be available for a form of grant program in New Mexico, designed to match funds contributed to the program by new account owners.

Mr. Desiderio stated that he did not want to allow the rebate to end. He stated that even at $7 to $10 per year the rebate should remain in place. He did not want the perception that the Board was removing a benefit from existing account owners.

Dr. Garcia stated that he was sympathetic to Mr. Desiderio's concern as to keeping fees low. He asked if there was evidence that additional $300,000 would increase participation by New Mexico residents in the program.

Mr. Miller asked Mr. Dombrower to address the effect of the added marketing funds that the Board had committed during the latter part of the prior year. Mr. Dombrower noted that the fee rebate program did not appear to have an effect on new account openings, but that existing account owners probably viewed it favorably. As to the added marketing dollars provided by the Board, he observed that in terms of website visitors, click-throughs and actual conversions, the statistical metrics showed that in December there was a positive effect.

Dr. Damron asked if others present had a view on this issue. Ms. Feirstein noted that she was not aware of any other state that had rebated its entire administrative fee, although some states had waived the fee. Mr. Raynor observed that there are programs that have used fee dollars to create matching grant programs.

Mr. Desiderio recalled the Core Bond matter and the negative view of the program that resulted. He expressed concern that ending the rebate would arouse those negative feelings again. He expressed the view that the administrative fund was larger than it needed to be, and that he supported Dr. Garcia's idea to do put more money into the program such as advertising and grant programs.

Mr. Mathews reminded the Board that the legislature had been reminded of the fee rebate several times by the previous Executive Director. Ms. Atkeson noted that it had been favorably received. Dr. Damron noted the need to grow the program, but without hurting the current account owners.

Ms. Feirstein noted that some of her state clients had been hurt by bad press resulting from what was perceived as a cutback of a benefit – whether the perception was correct or not. In her view it was important to maintain goodwill with existing account owners, the financial press and the legislature.

Dr. Garcia asked if increasing the marketing by $300,000 would attract new account owners. Mr. Desiderio observed that more should be spent on increasing new accounts.

Mr. Jarmie stated that he would not be in favor of allowing the fee rebate to expire with no particular way of spending the money. He noted Ms. Feirstein's caution about the perception of removing a benefit.

Dr. Garcia expressed the desire to increase the amount spent on attracting new accounts. Dr. Damron agreed. She expressed the view that the Board should keep the fee rebate while at the same time expending additional money in support of efforts to grow the program.

Mr. Jarmie stated that in his view spending more on promoting the program was a different matter than removing the fee rebate.

Dr. Garcia stated that he was in favor of keeping the fee rebate but wanted that tied to increasing the amount spent to promote the program.

A discussion ensued among the Board members as to the proper way to frame a vote. Mr. Mathews cautioned that the agenda item was limited to the matter of whether or not to allow the fee rebate to expire.

Mr. Desiderio moved to continue the fee rebate indefinitely. Mr. Jarmie seconded the motion. Dr. Garcia voted nay. The motion was carried by a vote of 3 in favor to 1 against.

Ms. Atkeson asked if current account owners would be informed of the extension. Mr. Dombrower stated that the plan documents would be revised to reflect this.

c) Native American Initiative

Mr. Miller reviewed the proposed $200,000 grant for Native Americans. As currently structured the grant would distribute grant monies among New Mexican tribes pro rata based on the population of middle school students in each tribe. Accounts would be established under the control of the ETB for each child designated to receive a grant by the relevant tribe.

Mr. Miller stated that the current program, while already full funded, should be delayed until Dr. Damron and Mr. Mathews get to opportunity to confer with the various tribes at the upcoming tribal summit, July 1 and 2.

Dr. Damron noted her close working relationship with many of the tribal leaders, and her desire that they be brought into the discussion on the appropriate method for dealing with the funds. Mr. Mathews commented on his meetings with several tribes, and the message he received from them as to addressing their concerns as individual tribes.

Dr. Garcia voiced his support for consulting the tribes at the tribal summit.

Mr. Jarmie observed that the current proposal calls for the ownership of the accounts in the ETB. It was his view that the parents of a child ought to have an opportunity to contribute to an account for the benefit of their child.

Mr. Jarmie invited Mr. Raynor to comment on the proposed structure. Mr. Raynor observed that some other states had placed such accounts directly under the control of the state treasurer, and that no other contributions were allowed. He opined that this was not necessarily the best approach. It did, however, ensure that the money was used solely for educational purposes, and was not withdrawn for other reasons.

Dr. Damron stated that she was uncomfortable with the ETB controlling these accounts without tribal input. The tribes should participate in these decisions.

Mr. Jarmie suggested that some of the local tribes with successful casinos might be willing to match amounts placed in the accounts.

d) Initial Contribution Reduction for The Education Plan

Mr. Miller noted that the initial contribution amount for The Education Plan was $250 unless an account owner was participating in an automatic payment plan. He observed that New Mexico was one of only four direct-sold plans with an initial minimum contribution at this level. Most plans have a $25 initial contribution minimum.

Mr. Jarmie moved to reduce the initial contribution to $25 as proposed. Mr. Desiderio seconded the motion. Dr. Garcia asked if there was any downside to the proposal.

Mr. Dombrower said that the downside would be the creation on many small accounts, but that this was mainly a problem for Oppenheimer. He said that he and Mr. Raynor had spoken with the Oppenheimer operations personnel. And that they were comfortable with administering the lower amount. He said that he viewed it as the right thing to do. Only time would tell how many new accounts were created as a result of the change.

The vote to approve the reduction in the initial contribution amount to $25 for The Education Plan was unanimous.

e) Board Fiduciary and Investment Training – September 16, 2015

Mr. Miller advised the Board that an educational session would be held the morning of the September 16, 2015 Board meeting. He presented a sample agenda for such a training session. The training would focus on investment and fiduciary issues, and would be presented by PCA and AKF Consulting.

f) Board Due Diligence Visit to Denver Operations Center – October 14-15, 2015

Mr. Miller reminded the Board of the due diligence site visit to the Oppenheimer Operations Center in Denver scheduled for October 14 and 15.

g) Change to Quarterly Meeting Dates FY2016 and Beyond

Mr. Miller advised the Board that in order to have the Board consider more timely quarterly investment information in the future, that the standard quarterly meetings should be held in the second or third week of February, May, August and November.

Mr. Jarmie asked if quarterly meetings were sufficient for the Board to fulfill its fiduciary obligations to the program. Mr. Mathews noted that the Open Meeting Resolution passed each year had called for quarterly meeting, but that special meetings were usually required in any event. Ms. Atkeson noted that the Board would have to give approvals to matters under the new program manager agreement that had not previously been required.

Mr. Miller noted that special meetings would continue to be called as needed.

8) PROGRAM MANAGER'S QUARTERLY REPORT

a) Marketing Report

Mr. Raynor gave the marketing report for the first quarter of 2015, ending March 31. He noted that The Education Plan (TEP) had a steady quarter. There was a small increase in new accounts. He then spoke briefly about the future marketing plan for TEP, both in New Mexico and outside the state. He noted that 60% of TEP's assets were located our-of-state.

He then turned to the Scholar's Edge Plan (SE). He noted that SE continues to be a thorn in the side of the program. Total accounts were down 3% for the quarter. Also net flows were down. He commented on the decline in early years age-based accounts. These are a concern because such a decline is not attributable to use of the money for college education. He reported that newborn-to-five-years accounts had declined by 161 accounts in the quarter. He stated that 49 of these were actually closed accounts, and that the other accounts had changed to different portfolios in SE.

Dr. Damron stated that her concern was the continuing multi-year decline in total accounts. She acknowledged that some accounts were redeemed to pay for college expenses, but she questioned why they had not been more than replaced by new accounts.

Mr. Dombrower said that the new program manager agreement provided new account growth targets. He stated that SE was an old program. When it started there were relatively few 529 savings plans. Since that time more plans had been created, and there was more competition for SE. He also noted that the older accounts in SE were now maturing and that several thousand accounts per year were for older beneficiaries, and the accounts would be leaving the plan.

Even with a target of more than 6,000 new accounts for the first year of the new contract, it was likely that total accounts would continue to decline.

Dr. Damron acknowledged the challenge, but she noted that all plans faced the same competitive environment now. She made it clear that if total accounts continued to decline the plan would have to fold in time. Dr. Damron started that she appreciated the history lesson and the math on total accounts, but what mattered was where the plan was now and how to move forward.

Mr. Raynor noted that what drove Oppenheimer was assets under management, and that Oppenheimer understood that it had to do better.

Dr. Damron said that the Board wanted to help in any way it could to raise new accounts, but at the end of the day it was Oppenheimer's responsibility to do increase accounts to compensate for redemptions.

Mr. Desiderio returned to the issue of the decline in accounts in earlier age-based portfolios. He expressed concern about the decrease in the number of accounts. Mr. Raynor again noted that 49 out of the total of 161 were due to an account leaving the plan.

Mr. Desiderio then pointed out that over the course of a year the decline was around 1,000 accounts. He asked if Mr. Raynor had an explanation for this annual decline. Mr. Raynor committed to having annualized information on the reasons for the decline in accounts in the plan.

Mr. Dombrower said that Oppenheimer was going to expand its research not only into larger accounts, but also into smaller accounts, to determine the reasons for account closings.

Mr. Desiderio then pointed out that there was an increase in the number of accounts in the 18 and older age-based portfolio. He asked why this might be. Mr. Raynor speculated that this might have something to do with account owners attempting to get a tax deduction in their home state by placing money in the home state plan and then moving it back to SE.

Mr. Raynor stated that Oppenheimer needed to do a better job of understanding account closing activity in the plan.

Dr. Damron agreed that more information was needed, but at the end of the day Oppenheimer needed to get the account numbers up in order to override the number of closed accounts.

Investment Performance Report

Ken Henry then discussed quarterly performance of the portfolios. He noted that it had generally been a good first quarter for active managers. The Value Fund outperformed the Russell 1000 by 65 basis points in the quarter. He also noted that Value Fund outperformance had continued into the first two months of the second quarter.

Ms. Ceserani noted that the Value Fund was also in the top-quartile of all managers for the year to date. The Fund was beating the benchmark and many of its peers.

Mr. Henry noted that the age-based portfolios for TEP Blended and for SE beat their benchmarks for the quarter.

The primary driver of outperformance were the Value Fund, the Main Street Fund, the International Growth Fund and the Global Fund. The International Bond Fund also did well in SE.

Mr. Henry noted that the performance of some funds with international exposure was being negatively affected by currency moves in the second quarter.

9) INVESTMENT CONSULTANT QUARTERLY REVIEW AND WATCH LIST RECOMMENDATION

Mr. White gave a brief presentation of PCA's ten-year capital market assumptions. Compared to last year's report, he noted that PCA was expecting lower fixed income returns due to weakness in the economies of a number of countries. The firm was holding its expectations for domestic equities constant, and increasing its expectations for international equities.

The significance of these assumptions for 529 college savings plans is that PCA did not expect investment returns to keep pace with the inflation of college costs.

Mr. Miller asked if other 529 plans had acted as a result of the PCA assumptions. Mr. White said that none had done so directly, but the information was one part of a mosaic of information used by plans with regard to investments. One thing he had seen was a caution by some plans with regard to fixed income exposure.

Ms. Ceserani noted that firms like Oppenheimer have their own internal capital market assumptions, and that these would be used to build models and create glide paths for 529 plans.

Ms. Ceserani then began PCA's quarterly analysis for the plans. For TEP all funds were either in the green or yellow bands meaning positive or acceptable performance. For SE, with 23 individual fund options, about 65% were in the green or yellow bands. The remainder are either on watch or in the caution zone.

There are five funds are currently on watch. Two of these funds are being removed from the program as of the re-launch – the MainStay MAP Fund and the Thornburg International Value Fund.

The Oppenheimer Equity Income Fund was currently on watch, but due to improved performance PCA recommended removing it from watch status.

The Oppenheimer Discovery Fund has been on watch for 6 months, but is trending upward. PCA recommended keeping it on watch.

Chairman Damron noted that there are still four funds on watch status. She asked how this compared to other 529 plans. Ms. Ceserani stated that the program was about average for the number of funds on watch. She noted that generally plans have about two thirds of funds positive or acceptable, and one third of funds in the caution zone or on watch.

Ms. Ceserani then discussed the Oppenheimer Rising Dividend Fund. It has been on watch for 21 months. It is a large cap fund whose performance has lagged primarily because its investment style is out of favor. This type of fund is fairly conservative and is in the program for that reason. It is performing in a similar manner to its peers.

She moved on to the Dreyfus Research Fund. PCA recommended placing this fund on watch status. It was significantly invested in there under performing sectors and this held down performance.

Dr. Damron noted that the MainStay MAP Fund held 7and 1/2% of total assets and that it was being dropped. She asked if Oppenheimer had better plans for this money. Both Mr. Dombrower and Mr. Raynor responded in the affirmative.

Dr. Damron called for questions and if there were none to move to accept the PCA report and recommendations. Dr. Garcia so moved and Mr. Desiderio seconded the motion. The vote was unanimous to adopt the consultant's watch list recommendation.

10) COLLEGE SAVINGS INDUSTRY UPDATE

Dr. Damron next introduced Ms. Andrea Feirstein of AKF Consulting. AKF had been asked to give the Board a 529 college savings plan industry update.

Ms. Feirstein began by summarizing her presentation.

She noted that New Mexico program growth overall lags the national market in both the direct-sold and advisor-sold markets. The direct-sold plan, TEP, is presented with very challenging demographics in New Mexico.

With regard to the advisor-sold plan, SE, growth is affected by the difference between states with no tax deductions for in-state plan contributions and those with such deductions. In the former SE should do better. Overall, however, SE is lagging the growth of other advisor-sold plans.

Morningstar does not rate TEP at all, and rates SE as "Neutral".

Ms. Feirstein suggested that growth opportunities exist for both plans although such opportunities may call for technological enhancements to the Oppenheimer platform.

Ms. Feirstein noted that the 529 college savings plan market was approximately $224,000,000,000 in size. The average account size in these plans was about $20,000 whether direct-sold or advisor-sold. TEP and SE were unusual in that TEP account size was about $22,000 and SE account size about $15,000.

Similarly, the assets and accounts in direct and advisor plans nationwide are approximately the same. In New Mexico, however, the assets and accounts are heavily weighted toward the advisor plan at 80% and 86% respectively.

Ms. Feirstein observed that the assets of 529 plans nationally suffered during the recession and then began to rebound. She noted that account numbers grew nationally, even during the recession. While New Mexico assets followed national trends (although at a slower rate of growth), New Mexico accounts were in steady decline in SE and stable in TEP.

In assets New Mexico ranked 32nd in direct plans and 11th in advisor sold plans. In accounts New Mexico ranked 39th and 14th respectively.

With regard to account fees, TEP was reasonably well-positioned compared to other direct plans. TEP was somewhat below the average maximum plan fees for investments for both the index and blended options. SE was slightly above the average maximum plan fees for direct-sold plans.

Ms. Feirstein noted that there had been some attempt to promote May 29, 5/29, as 529 Day and the month of September as College Savings Month. Neither had gained much attention with the public.

She mentioned the MSRB and its regulation of municipal securities as applicable to 529 plans, and some recent regulatory initiatives. Ms. Feirstein observed that the recent ABLE legislation was creating a rush at the state level to pass legislation. In addition many states were proposing to place responsibility for ABLE with their 529 plans.

With regard to other legislative initiatives Ms. Feirstein mentioned the Secure Choice Retirement Plan. This is a proposal to allow states to administer a retirement plan for private sector workers not otherwise covered by such a plan. The 529 structure may be suitable for such a program.

Ms. Feirstein then turned her attention to Morningstar ratings for 529 plans. She noted that Morningstar took several years to understand and appreciate the difference between 529 plans retirement plans. It still only rates about 2/3 of the savings plans with an emphasis on direct-sold plans.

Morningstar has historically had a bias in favor low cost index plans.

The Morningstar process has five pillars – process, performance, price, people and parent. Only two of these are quantifiable. The rest are subjective.

She doubted that SE would get a ratings change in its current form, although there was a recent uptick from negative to neutral for performance.

She noted that New Mexico and Oppenheimer would have an opportunity to meet with Morningstar during the summer.

Mr. Dombrower noted that Morningstar typically did a telephone interview with Oppenheimer in August, and that Morningstar would then follow up with the Executive Director.

Ms. Feirstein noted that the recent program changes should be viewed positively by Morningstar. She also noted that PCA and AKF would work with Morningstar as well.

Ms. Feirstein noted that the Morningstar medal ratings of Gold, Silver and Bronze were heavily weighted in favor of direct-sold index plans. Only seven advisor-sold plans earned a medal rating of any kind.

Ms. Feirstein then closed her presentation with a mention of several potential enhancements to 529 plans. The first was a technological initiative to allow brokers to have direct access top setting up and monitoring client 529 accounts on their in-house brokerage system. This is called "omnibus accounting."

She also noted the potential for the use of gift cards in 529 plans.

Finally she noted the opportunity to enter the workplace, both private and public, with the 529 plan for employees.

11) ADJOURNMENT

Dr. Damron called for a motion to adjourn. Dr. Garcia so moved. The motion was seconded by Mr. Desiderio. The vote to adjourn was unanimous. The meeting adjourned at 4:10 PM.