

**Minutes**  
**Board of Trustees Meeting**  
**College Savings Trust Fund Program**  
**July 18, 2017**  
**1:00 p.m. CT**  
**Executive Conference Room, Ground Floor**  
**State Capitol**

The College Savings Trust Fund Program Board of Trustees convened on the above date in the Executive Conference Room located on the Ground Floor at the State Capitol. Treasurer David Lillard, Jr., called the meeting to order at 1:00 p.m.

**Board members in attendance:** Treasurer- David H. Lillard, Jr.; **Secretary of State-** Tre Hargett; **Tennessee Independent Colleges and Universities (TICUA)-** Dr. Claude Pressnell; **President, University of Tennessee-** Ron Maples for Dr. Joe DiPietro; **Chancellor, Board of Regents-** Renee Stewart for Flora Tydings; **Executive Director, Tennessee Higher Education Commission-** Steven Gentile for Mike Krause; **Comptroller of the Treasury-** Shiri Anderson for Justin Wilson; **President, Austin Peay State University-** Mitch Robinson for Dr. Alisa White; **Commissioner of Finance & Administration-** Greg Turner for Larry Martin.

**Also in attendance:** Crystal Collins; Derrick Dagnan; LaKesha Page; Alison Cleaves; Ashley Nabors; Jaye Chavis; Earle Pierce; Andy McArthur; Lisa Marie Woods; Bill Parker; Jimmy Feeman; Matt Farmer; Heather Iverson; Jennifer Selliers; Keith Brinkley; Shelli King; and Whitney Goetz.

**Approval of Minutes**

Treasurer Lillard requested approval of the minutes of the October 5, 2016 meeting. There were no changes or corrections filed regarding the minutes. On motion by Tre Hargett, second by Shiri Anderson, the Board approved the minutes.

**Weighted Average Tuition Recommendation**

LaKesha Page, Director of College Savings, provided background information regarding the Weighted Average Tuition (WAT) calculation. Ms. Page recommended that the Board approve the Weighted Average Tuition (WAT) and per unit payout value for the 2017-2018 academic year as set forth in the meeting material. In the exhibit, the calculated per unit payout value is \$97.04 for the upcoming 2017-18 academic year. Ms. Page recommended that the Board adopt this per unit payout value for units held by participants who are authorized under T.C.A., Section 49-7-824 to maintain their contracts under the program and who have provided documentation or requested a tuition payment to prove the beneficiary is eligible to remain in the program under the statute. On motion by Tre Hargett, second by Ron Maples, the Board approved the \$97.04 WAT unit value for the 2017-18 academic year.

**Public Chapter 400**

Alison Cleaves advised the Board of the name change and changes to the composition of the Board contained in Public Chapter 400. This Public Chapter changed the name of the Board that oversees the college savings programs from the Baccalaureate Education System Trust Board to the Board of Trustees of the College Savings Trust Fund Program. Additionally, it revises the Board of Trustees composition to remove the Executive Director of TSAC and substitute a president of one of the six Locally Governed Institutions (LGIs) using an alphabetically alternating schedule. The nine member Board is currently comprised of the following members: The State Treasurer, the Comptroller of the Treasury, the Commissioner of Finance and Administration, the Secretary of State, the Chancellor of the Board of Regents, the President of the University of Tennessee System,

the Executive Director of the Tennessee Higher Education Commission the President of one of the six Locally Governed Institutions.

**Housekeeping and Recertification Rule Changes**

Alison Cleaves presented the proposed new rules to the Board. Ms. Cleaves advised that the rules of the Board of Trustees of the College Savings Trust Fund Program have been amended to conform to Public Chapter 910 of 2014 and Public Chapter 400 of 2017 and to define the annual certification requirements for participation in the Baccalaureate Education System Trust (BEST) Prepaid Tuition Plan under its terminated status. She noted the amended rule contained on page 5 of the meeting material, specific to the annual certification requirement for participants remaining in the BEST Prepaid Plan. Specifically, the proposed rule provides that under a terminated status, a beneficiary is eligible to remain in the Plan if he or she (1) has been accepted by an institution of higher education, (2) is currently enrolled in an institution of higher education, or (3) is projected to graduate from high school no later than November 30, 2018, which is the third anniversary of the Plan’s termination. Participants must annually certify their beneficiaries’ eligibility to remain in the plan by submitting appropriate documentation, which formalizes the annual certification process that has been in place since the plan was terminated in 2015 by establishing an annual deadline of September 1 and outlining the accepted forms of documentation which may be submitted as proof of eligibility to remain in the plan. Specifically, if a purchaser does not provide acceptable documentation by September 1 of each year, the purchaser’s contract shall be terminated and any refund/rollover will be paid out at the tuition unit rate effective for the academic year in which the purchaser last certified the beneficiary’s eligibility to remain in the plan. On motion by Tre Hargett, second by Claude Pressnell, the Board approved the proposed rule amendments by roll call vote:

<b>Board Member</b>	<b>Aye</b>	<b>No</b>	<b>Abstain</b>	<b>Absent</b>
David Lillard	X			
Ron Maples	X			
Renee Stewart	X			
Steven Gentile	X			
Shiri Anderson	X			
Tre Hargett	X			
Mitch Robinson	X			
Greg Turner	X			
Claude Pressnell	X			

### **BEST Prepaid Plan Update**

Ashley Nabors, Senior Director for Financial Empowerment provided an overview of the status of the prepaid plan. Ms. Nabors informed the Board that there were 4,854 participants in the plan when the plan was terminated in 2015. \$24M was rolled over to the TNStars 529 College Savings Plan by BEST Prepaid Plan participants in 2015. As of June 2017, 2,578 participants remain in the plan and there are \$25.5M in assets in the plan. To date, more than 500 participants have certified their beneficiaries' status for the 2017-18 academic year, and 948 certified for the 2016-17 academic year. Additionally, the program has not received certification documentation from 1,130 participant accounts.

### **BEST Prepaid Plan 1Q 2017 and May 2017 Investment Report**

Derrick Dagnan, Deputy Chief Investment Officer, presented the 1Q 2017 and May 2017 Investment Reports for the BEST Prepaid Plan. Mr. Dagnan pointed out the one-year performance for the period ending March 31, 2017. He also informed the Board that the program has a very conservative approach, with 68% invested in fixed income. Also, Mr. Dagnan informed the Board that trading is more frequent to address the cash needs of the program. He stated that looking at June 30<sup>th</sup>, there was 4% return. Finally, he advised the Board of the recent action to shift to a 100% fixed income allocation for the plan.

### **TNStars® College Savings 529 Program Status Report**

LaKesha Page provided an update regarding the TNStars® College Savings 529 Program. The program has grown substantially, reaching \$98.19M in assets at the end of June 2017. Ms. Page reviewed the information in the meeting material, and noted the marketing initiatives implemented by the program including a \$10,000 Scholarship giveaway during the holiday and outreach to advisors and employers. She also shared with the Board that TNStars will turn 5 years old in September. She shared the upcoming social media initiative with the Board, and asked that they participate.

### **TNStars® 1Q 2017 and May 2017 Investment Report**

Derrick Dagnan presented the 1Q 2017 and May 2017 investment reports for TNStars®. He referenced the Empower Report contained in the meeting material. Mr. Dagnan pointed out that based on participant selection of investment options, the plan has a more aggressive allocation. He noted that the PrimeCap Aggressive Growth Fund is ranked #1, and he noted information on pages 15-16 of the Empower Report contained in the meeting material. He also noted that there is a lower beneficiary age in the program. Mr. Dagnan also noted information on pages 18-19 of the Empower report and advised that, overall, he is very pleased with the investment lineup and results.

### **Tennessee Investments Preparing Scholars (TIPS) Status Report and FY 2018 Qualifying Period Recommendation**

Jaye Chavis, TIPS Program Administrator, presented the information regarding the TIPS Program. Mr. Chavis advised the Board that there are sufficient funds remaining in the SMOB program to be transferred to college savings to establish another qualifying period, and he recommended that the Board adopt the next qualifying period for TIPS to begin on August 1, 2017 and end on June 30, 2018. Further he recommended that the Board allow the use of the 2016 and 2017 federal tax returns for purposes of establishing income eligibility for TIPS applicants, and that 250% of the Federal Poverty Guidelines be used as the threshold for income eligibility. On motion by Tre Hargett, second by Shiri Anderson, the board approved all recommendations.

### **Audit Committee Update**

Earle Pierce provided an Audit Committee report. He noted that there were no findings for FY 2015 and FY 2016 for college savings. He advised that he has received the Audit engagement letter for the audit period, and he advised that the FIA Risk Assessments for 2015 have been reviewed and the 2016 FIA Risk Assessments have been submitted. There have been no submissions of fraud waste and abuse reported. Committee will convene in

### **Annual Review Investment Policies**

Jennifer Selliers presented the updated Investment Policies to the Board for the BEST Prepaid Plan and the TNStars College Savings 529 Program. She noted that there were no material changes, but there are updates to the names in the policy based on the new law that passed during the recent legislative session. On motion by Ron Maples, second by Greg Turner, the Board approved the Investment Policies.

### **Conflict of Interest Policy**

Alison Cleaves presented the Conflict of Interest Policy. She advised that the policy was updated to reflect the name change of the Board, and she advised that Board that there is an annual attestation that they must provide. On motion by Ron Maples, second by Claude Pressnell, the Board adopted the updated policy.

### **ABLE TN Update**

LaKesha Page provided an update for the ABLE TN program. She advised that ABLE TN is a 529A savings program designed to help individuals with disabilities put aside money to pay for qualified expenses. The program reached \$5M and just celebrated its one-year anniversary in June 2017.

### **Financial Literacy Update**

Bill Parker updated the Board about the Tennessee Financial Literacy Commission. He provided an overview of the Financial Empowerment Resource Library, and shared that there is a micro-site for 529 plan. He also shared some upcoming initiatives for the TNFLC including a partnership with Vanguard called "My Classroom Economy," and he shared an overview of the fundraising efforts of the commission.

### **Other Business**

With no further business, the meeting adjourned.

Respectfully Submitted,

*LaKesha Page*

LaKesha Page

Director of College Savings