

**Missouri Higher Education Savings Program
Minutes of the MOST Quarterly Board Meeting**

State Capitol Building, Senate Committee Room 1
Jefferson City, MO
March 15, 2005

Item I: Call to Order

Chairperson Steelman called the meeting to order at 10:00 a.m.

Item II: Roll Call

Board members present were Sarah Steelman, Thomas Baumgardner, John Klebba, Gregory Fitch, and Gary Taylor (proxy for Greg Steinhoff).

Item III: Introductions

Other attendees included Jim Matchefts of the Department of Higher Education; Doug Gaston, Mark Hughes, Susie Snyders and Mark Mathers of the State Treasurer's Office; Mary Lehman, Andrew Gradus, Mike Dallmeyer, Brenda Grebert, Deana Riley, and Phillip Rollock of TIAA-CREF; and Marshall Wilson of Husch & Eppenberger. Anthony Roberts, Karen Elinski and Judy-Beth Tyler of TIAA-CREF also participated by phone.

Item IV: Approval of Minutes from November 15, 2004

Mr. Baumgardner moved the minutes from the November 15, 2004 meeting be approved. Mr. Klebba seconded the motion, and the motion passed.

Item V: Old Business

a. Report of TIAA-CREF

Overview of 2004 Fourth Quarter MOST Board Report

Mary Lehman gave an overview of the program in 2004. Total contributions increased 3% over 2003, and initial contributions were up 21%. Total redemptions also increased from the previous year, so total net contributions for the year were \$153 million.

Mr. Klebba inquired whether TIAA-CREF had a goal for contributions for 2004. Ms. Lehman responded that they did have a net flow goal (contributions less redemptions) and mentioned that they did not meet that goal for 2004, but she did not have that figure available. Ms. Lehman indicated TIAA-CREF's net flow

goal for 2005 was \$168 million. She indicated TIAA-CREF does not have a goal for the number of new accounts set up per year.

Ms. Lehman went on to review other information for 2004. Other highlights included the fact that 92% of the 84,394 accounts are in the Direct option and that 61% of new accounts were opened on-line last year. Ms. Lehman also reviewed the sources of contributions and operational performance.

Mr. Klebba inquired whether there was an internal audit to monitor performance and how that was done. Ms. Grebert discussed TIAA-CREF's sampling process. In response to a question from Mr. Fitch, Ms. Grebert indicated that TIAA-CREF does not have an audit committee that reviews operational performance but instead employs a Quality Control Manager. Ms. Grebert indicated she would provide figures of the samplings conducted. Ms. Steelman requested a copy of TIAA-CREF's internal audit report, and Ms. Grebert indicated that would be furnished. In response to a question from Mr. Klebba regarding the location of TIAA-CREF's call centers, Ms. Lehman indicated that TIAA-CREF has call centers in California and Charlotte.

Ms. Lehman described TIAA-CREF's marketing materials and their marketing activities in 2004. Mr. Baumgardner asked whether the figures indicated for the audience in TIAA-CREF's reports indicated the total estimated audience or the number that TIAA-CREF contacted. Ms. Lehman responded that the figures represented TIAA-CREF's best estimate of those contacted by TIAA-CREF at the function. Ms. Steelman inquired whether there was follow-up with audience members at TIAA-CREF's presentations, and why there couldn't be a sign-up sheet for TIAA-CREF to provide follow-up information. Ms. Lehman responded that this was an excellent idea.

Overview of 2004 Fourth Quarter Investment Performance

Andrew Gradus reviewed the 2005 Asset Allocation recommendations that were approved in November 2004 by the Board and then reviewed the investment performance in 2004 of TIAA-CREF's funds. Ms. Steelman and Mr. Baumgardner asked whether participants could see their MOST accounts' total return since inception on their statements. Ms. Grebert indicated this is not shown currently on statements but that it is available to participants if they call and by letter. Mr. Mathers asked whether TIAA-CREF could review some of the historical changes in TIAA-CREF's investment management teams. Mr. Roberts indicated this could be done at a future meeting or call. Ms. Steelman suggested that a conference call be set up with members of the Board or staff who were interested in receiving this information.

2005 MOST Marketing Plan

Ms. Lehman indicated she had distributed the 2005 marketing program but in the interest of time, would defer her presentation to another date.

Overview of 2004 Fourth Quarter Advisor Program

Deana Riley presented information on the Advisor series including the recent signature of an agreement with UBS Paine Webber, an e-marketing campaign with morningstar.com, and other efforts to strengthen existing advisor relationships. Ms. Riley indicated that there is a 5% upfront load provided to advisors.

Item VI: New Business

a. Legislation

Ms. Steelman gave an update of bills modifying the State's laws regarding college savings plans, including SB 324 and HB 647. Ms. Steelman mentioned a third consent bill that would set a minimum term for contributions to the 529 plan. Ms. Steelman mentioned that the revenue impact of these bills on the State budget is a concern of the State.

b. Presentation of Conceptual Framework of CD Option

Mr. Klebba distributed a handout that he developed with the Missouri Bankers Association (MBA) outlining steps for the implementation of the CD program. Mr. Klebba mentioned that Maine is the only other state with such an option.

Ms. Steelman made a motion to appoint a subcommittee to review the CD option and to bring recommendations for an RFP to the Board, with the subcommittee composed of staff from the State Treasurer's Office, the Office of Administration, Jim Matchefts of the Department of Higher Education, the MBA and Mr. Klebba. Mr. Fitch seconded the motion. The motion passed.

c. Status of Contract Renewal and RFP

Ms. Steelman indicated that the Treasurer's Office has had discussions with several consultants regarding an RFP. Ms. Steelman anticipated that an RFP should be issued by December. Mr. Matchefts explained the original RFP process that was used to select TIAA-CREF. There was discussion about using an interdepartmental evaluation team again for the next RFP.

Item VII: Adjournment

Mr. Baumgardner moved to adjourn the meeting of the Missouri Higher Education Savings Board at 12:00 p.m. Mr. Klebba seconded the motion. Motion passed.