

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

Governor Office Building – Conference 350  
Jefferson City, MO  
March 17, 2009

**Item I: Call to Order**

Chairperson Zweifel called the meeting to order at 1:30 p.m.

**Item II: Roll Call**

MOST Board Members present were Treasurer Clint Zweifel, Dr. Robert Stein, Commissioner Kelvin Simmons, Thomas Baumgardner, Judy Gerhke (proxy for Linda Martinez) and Rep. Sally Faith via teleconference. Due to technical difficulty, Mr. John Klebba was unable to join in the teleconference but materials were forwarded to Mr. Klebba. Mark Mathers followed up with a phone call to Mr. Klebba to give him a briefing of the meeting.

State Treasurer's Office (STO) staffs present were: Mark Mathers, Angie Robyn, Jon Galloway, and Kay Fitzpatrick.

Upromise/Vanguard Staff present were: Stewart Duffield, Janet Kottman and Patricia Brady.

**Item III: Approval of Minutes**

Robert Stein moved to approve the minutes from the previous Board meeting held on December 11, 2008. Mr. Baumgardner seconded the motion, and the motion passed unanimously. Mr. Simmons abstained.

**Item IV: Review of Follow-up Items from Last Meeting**

Ms. Brady addressed Direct Marketing Cost Analysis. She stated in the end of the year rush in 2008, 370,000 pieces of mail went out. Rep. Faith inquired at the December meeting how this compared to last year. Ms. Brady indicated that withdrawals at the end of 2008 were expected and not unusual.

Dr. Stein asked when the board could expect a December analysis of the mailings. Ms. Brady responded that there was a 3-month lead and then they would provide a Response/Lead analysis and track those who actually invested.

**Item V: Legislation**

SB213, which would rescind the 12-month minimum holding period for MOST, was discussed. It was determined that there was no risk associated with the legislation's language. In response to a question, Mr. Mathers noted that the bill had not been heard in committee.

Dr. Stein asked if there was data on the number of taxpayers who use other states' 529 plans to avoid Missouri's 12-month minimum law. Mark Mathers responded that Department of Revenue would be the only source for those numbers.

#### **Item VI: Annual Investment Review for Direct Plan**

Mr. Mathers noted his memorandum commenting on Vanguard's review of the Direct Plan. Mr. Duffield reviewed each of the issues in its memorandum to the Board including a review of the fixed income options in the Direct Plan and the degree of exposure to international stocks among the portfolios with equities. Mr. Duffield then began a discussion of issues related to the Total Bond Market Index Fund. Due to incredibly high levels of volatility in the stock markets and the rebalancing requirements for age based options in Vanguard's 529 plans, Vanguard's board has approved fee increases for frequent trading of the Total Bond Market Index Fund. As an alternative to imposing these fees, Vanguard has proposed creation of a parallel fund, the Total Bond Market Index II Fund, for 529 and 401(k) plans. Dr. Stein inquired about the need for such a change. Mr. Mathers noted that after reviewing the issue with Vanguard and noting that Vanguard's board has already approved fee increases for Total Bond Market Index Fund, the use of the Total Bond Market Index II Fund appeared to be the most efficient solution for the MOST Plan.

Vanguard then presented a summary of its recommendations: (1) Close the American Century Equity Growth portfolio, (2) Add the American Century Small Company Portfolio, (3) watch the American Century Real Estate portfolio closely and (4) move the Age-based portion of the Total Bond Market Index Fund to the Total Bond Market Index II Fund.

Mr. Baumgardner made a motion to approve the recommendation and Dr. Stein seconded the motion. The motion passed unanimously.

#### **Item VII: Quarterly Report**

The quarterly report was presented by Ms. Brady and Mr. Duffield. This included a summary of the MOST Direct and Advisor statistics through December 2008. Due to the declines in the stock market, total assets in the plan continued to decline in the fourth quarter.

Ms. Brady stated that Upromise would be working closely with Jon Galloway of the State Treasurer's office to develop new marketing strategies. Dr. Stein suggested utilizing Focus Groups to track those answered leads or sought information but never set up an account. He also commented that as a member of the MoHELA Board, he felt that it is MOST's responsibility to implement college savings targeted at K-12, not MoHELA. The sentiment was informally echoed.

Mr. Baumgartner asked if Upromise would consider partnering with other groups, such as brokers, to educate the public about saving for college. Ms. Brady and Ms. Janet Kottman indicated they would be open to such relationships.

#### **Item VIII: Fund Performance Monitoring Report**

Mr. Mathers reviewed the Watch status criteria and gave an overview of the current funds on WATCH status. There are currently five funds out of 21 total funds in the Advisor Plan on

“WATCH” status and one new fund, the American Century Real Estate Fund, on WATCH in the Direct Plan. Mr. Mathers reported that the Hartford Small Company and T. Rowe Price International Growth and Income funds have been released from “WATCH” status.

Treasurer Zweifel moved to adjourn. The motion was seconded by Dr. Stein. The meeting was adjourned.