

**Missouri Higher Education Savings Program
Minutes of the MO\$T Board Meeting**

State Capitol Building, Senate Lounge
Jefferson City, MO
March 30, 2007

Item I: Call to Order

Attendees:

Board Members: Sarah Steelman, Robert Stein, Thomas Baumgardner, John Klebba, Rich Aubuchon (proxy for Mike Keathley) and Brian Grace (Proxy for Greg Steinhoff)

STO Staff: Doug Gaston, Mark Mathers, Jane O'Toole, Denise Chaple

James Polinsky of Vanguard, Liz Robinson and Derek DeLorenzo of Upromise, Donna Lee of American Century and Bernie McNamara,

Item II: Approval of Minutes

John Klebba moved to approve the minutes from the previous Board meeting held on December 13, 2006. Brian Grace seconded the motion, and the motion passed unanimously.

Item III. Quarterly Report Review-2006-Q4

Liz Robinson began the review of the report touching on asset data, enrollments, marketing events and other data. She also pointed out that the high percentage of new accounts being opened by Missouri residents speaks to the importance of the state tax deduction.

Robert Stein, being new to the board had a series of questions, which were all answered by Mrs. Robinson. Mr. Stein asked if there was any analysis done to determine if any account owners use both the direct and advisor plan. Mrs. Robinson responded that this had not been analyzed before but that it definitely could be and they would get back to the Board on this.

Mrs. Robinson pointed out the important fact that the reports are now on a "per beneficiary" basis and not a "per account" as had been done in the past.

Donna Lee then presented some information on employer sponsored events for the plan.

Mr. Stein asked if we know where a person that opens an account actually heard about the MO\$T plan. Mrs. Robinson responded that this is why they focus on cost per lead. Mr. Stein commented that this really does not address this, Sarah Steelman said she would like to see us tracking this by event if possible by going to the employers who have had events and seeing how many signed up as a result of the event.

James Polinsky then gave the Direct Call center report and the performance report and Derek DeLorenzo gave the same reports for the Advisor plan.

Mrs. Robinson then gave a brief overview of the Grocer situation and said that the Schnucks agreement was unsuccessful but the Hy-Vee has been successful which is a big win for the Plan. She then handed out the U.S. News article in which U-Promise and 529's were highlighted in as a way to better your life.

Item IV. MOST Advisor Plan Discussion

Sarah Steelman talked briefly about the Morningstar article/ratings stating that some of the criticisms were unfair and some were fair and would be addressed. She stated that this is what is beneficial about having an open architecture plan because we can address problems in order to improve the plan.

Mark Mathers noted that all the critiques by Morningstar were contained to the Advisor Plan not the Direct where 95% of our assets are. Mr. Mathers also points out that the goal of staff at this point is to give the Board a roadmap which will enable them to give feedback on the plan and improvements of it in the next ninety days with the objective of modifying the plan for the better. Mathers then handed out an investment policy for the Board to review and get back with comments. Within the next quarter the goal of the staff is for the Board to adopt an investment policy that follows the tone of the RFP that will include goals and objectives as well as a watch status. This watch status would allow Staff to report to the Board intermediate numbers and watch those on probation (watch list) for poor performance so the Board can take action with regard to them by replacing them at the annual review if still performing poorly. The staff hopes that by working together with the Board that they will have recommendations for the Board to vote on within the June to August time period to allow new funds to be in place by the fourth quarter.

Item V. Legislative Update

Doug Gaston presented information on the Legacy initiative, SB 254 and HB 442 which allows for matching grants to lower income MOST participants who satisfy financial qualifications. The board would set these criteria. This looks as though it is on its way to passage.

He also briefly reviewed SB 224, which would allow married taxpayers filing jointly to enjoy the full state tax deduction without opening separate accounts. This is on the consent calendar.

John Klebba inquired as to the minimum twelve-month holding requirement. Mr. Gaston said that this is looking to be taken care of by amendment.

Item VI. Update on Search for Screened International Fund

Brief overview of the International anti-terror mandate inside the advisor plan and the role of Conflict Securities. Other states are trying to pass similar legislation and if this happens the number of entities participating in the International mandate will increase.

Sarah Steelman pointed out that the CD Contract issue will be addressed by the next meeting.

Item VII. Adjournment

Mr. Stein moved to adjourn, Mr. Klebba seconded. Meeting adjourned.