

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

Governor Office Building – Conference 350
Jefferson City, MO
June 16, 2009

Item I: Call to Order

State Treasurer Clint Zweifel called the meeting to order at 1:00 p.m.

Item II: Roll Call

MOST Board Members present were Treasurer Clint Zweifel, Dr. Robert Stein via teleconference, Commissioner Kelvin Simmons, Thomas Baumgardner, and Judy Gerhke (proxy for Linda Martinez). Mr. John Klebba and Representative Sally Faith were absent.

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

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

Item III: Approval of Minutes

Dr. Stein moved to approve the minutes from the previous Board meeting held on March 18, 2009. Mr. Baumgardner seconded the motion, and the motion passed unanimously.

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

Miriam Broaddus addressed follow-up items regarding mailings. She reported that leads decreased last quarter. Mailings doubled but cost per lead remained the same. Dr. Stein asked what constituted a "lead". Ms. Broaddus stated that a lead is defined by an inquiry that requires an action, i.e. business reply card or requesting a kit.

Item V: Legislation

The quarterly report on legislation was presented by Mark Mathers. He reported that SB213, designed to remove the 12-month holding requirement for contributions to the Missouri higher education savings program, was never heard in committee. The bill essentially died without action. Mr. Mathers indicated that Treasurer's staff will follow-up with Department of Revenue to consider our options at this point.

Dr. Stein inquired as to whether Treasurer Zweifel's office has a legislative agenda for the 2010 Legislative Session. Treasurer Zweifel answered there was no agenda at this point but one would be developed as the legislative session approaches.

Mr. Baumgartner asked if the legislators understand the benefits of 529 accounts, i.e., what's our plan to help them "see the light"? Treasurer Zweifel responded that it is true that the current plan puts us at a disadvantage to other states and it is a matter of building on and creating new relationships with the legislature to educate them on these concerns. Dr. Stein suggested that cross-agency support is needed to communicate with legislative leadership. Commissioner Simmons stated that it was not on OA's list of legislative items last session but could add it to next year's legislative package and talk with the Governor about it. Treasurer Zweifel also said he would talk to his Policy Director, Angie Robyn, about this issue and these suggestions.

Item VI: Vanguard Proxy Vote

Mr. Mathers explained that by virtue of MOST owning shares of Vanguard funds, there is the opportunity to vote on three measures to be considered at Vanguard's shareholder vote in July:

1. Approve lineup of Vanguard Fund Trustees
2. Approve proposed amendments to Vanguard funds' fundamental policies regarding purchase and sale of real estate.
3. Approve the shareholder proposal to prevent holding investments in companies that, in the judgment of the board, contribute to genocide or crimes against humanity.

Commissioner Simmons requested that the items be voted on separately. Dr. Stein made the motion and Mr. Baumgartner seconded the motion to approve Item #1. The motion passed unanimously 5-0.

Dr. Stein made the motion and Mr. Baumgartner seconded the motion to approve Item #2. The motion passed unanimously 5-0.

Mark Mathers clarified that a 'yes' vote on Item 3 supports the staff recommendation. Mr. Baumgartner inquired as to Vanguard's position on Item #3. Stewart Duffield said that Vanguard is against it because it's similar to a standing policy. Mr. Duffield also explained that under Delaware law, shareholders can request a policy be put in place but cannot state how it is implemented. They can only reaffirm for the board how they feel about the policy.

Dr. Stein moved to vote on Item 3. The motion was seconded by Commissioner Simmons. All members voted 'yes' on Item 3 with the exception of Mr. Baumgartner who voted 'no'. The motion passed 4-1.

Item VII: Interest Accumulation Fund

Mark Mathers explained that in 2008 the MOST board had conditionally approved changes to the underlying investments for the Short Term Reserves Account, which is primarily used by the Interest Accumulation Fund. Since that time, market conditions have changed and staff is now recommending the following:

1. Rescind Board Approval of 2008 wrapped bond contracts.

2. Approve increase in the exposure of the Interest Accumulation Fund to the Vanguard Prime Money Market Fund.

Stewart Duffield explained that insurance wraps are no longer available and that the number of counterparties for guaranteed investment contracts continues to be limited. As a result, the Interest Accumulation Fund's exposure to the money-market fund has increased. Treasurer Zweifel asked if the benchmark would be changed with this move. Mr. Duffield responded 'yes'.

Thomas Baumgartner made a motion to approve Item #1, seconded by Commissioner Simmons. The motion was passed unanimously.

Mr. Baumgartner made a motion to approve Item #2, seconded by Commissioner Simmons. The motion was passed unanimously.

Item VIII: Marketing Plan

Treasurer Zweifel explained that for the first time in at least four years, a marketing plan for the MOST program was being presented to the MOST board. He indicated he thought this was important for the Board to see and that the plan includes for the first time quantitative marketing goals. Treasurer Zweifel informed the Board that due to time constraints in getting the 2009 Marketing Plan implemented, it would be presented and voted on today. The marketing plan for 2010 would be presented at the September Board meeting and board members would have time to provide comments for adoption of the plan in December.

Miriam Broaddus presented the marketing plan for the Direct Plan. She stated that a pre-awareness survey was sent. They had also been sent out in 2006 and 2007, and a post-survey was sent in 2008. Dr. Stein asked for these purposes, what defines 'children'. Ms. Broaddus responded that the target audience is 0 to 12 years of age. Dr. Stein re-emphasized that there is a need to market MOST to legislators. Ms. Broaddus said that their target audience is parents with children 0-12 years of age, and some grandparents. Secondary audience is schools and media.

The proposed budget for the Direct Plan is \$837,000. Judy Gerhke inquired as to what the budget was last year. Miriam responded, \$800,000. Dr. Stein asked if the Board could get an analysis in the future that is broken down by region or geographical area. Patricia Brady said an analysis could be done by zip code. Informal comments affirmed that the Board would like to see those in the future.

A motion was made by Dr. Stein to approve the Direct Plan Marketing Plan and its budget and the motion was seconded by Ms. Gerhke. The motion was passed unanimously.

Then Commissioner Simmons moved to approve the 2009 Advisor Plan presented by Patricia Brady. The motion was seconded by Ms. Gerhke, and the motion was passed unanimously.

Mr. Baumgartner added that he'd like to see the MOST program promoted between now and the end of 2009, encouraging people to take advantage of the tax-free distribution from 401K to 529 accounts. He didn't know how long that opportunity would last.

Item IX: Annual Advisor Plan Investment Review

Mark Mathers stated that Treasurer Zweifel's office agrees with Upromise's recommendation for the Advisor Plan, which is to modify breakpoints for Class "A" shares.

Patricia Brady said that she made only one recommendation as not to ‘tinker’ with it too much since it’s working. In the interest of time, Treasurer Zweifel suggested that Ms. Brady go directly to the Class A Share change, which she did. There were no questions and Dr. Stein made the motion with Commissioner Simmons seconding to approve the modification of breakpoints for Class “A” shares. The motion was passed unanimously.

Item X: Quarterly MOST Report

Patricia Brady presented the quarterly MOST report. While Ms. Brady noted a decline of 21% in YTD contributions, this compared to a drop of 30% among Vanguard’s six states. Miriam Broaddus said that the Ugift contributions are slowly increasing. There is a planned market push for this fall. The 529.com website was launched in April 2009 with a link to Missouri’s 529 site. Dr. Stein questioned as we are using children in the marketing pieces, are we assuring diversity? Ms. Broaddus responded affirmatively, that we are emphasizing diversity.

Item XI: Quarterly WATCH Report

Mark Mathers noted that there were no additions to the WATCH List. Three funds were released from WATCH status in Q1. Two funds remain on WATCH status, but performance has improved significantly.

Item XII: Annual MOST Review

Mark Mathers said that in accordance with statutes, he is presenting the annual report on MOST. Mr. Mathers noted declining contribution trends for the plan, which is the likely result of market turmoil and the economic downturn. Mr. Mathers noted efforts initiated by Treasurer Zweifel’s office and Upromise to reverse this trend.

Commissioner Simmons moved to adjourn. The motion was seconded by Judy Gerhke. The meeting was adjourned.