

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

State Capitol Building, Senate Committee Room 2
Jefferson City, MO
September 18, 2007

Item I: Call to Order

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

Item II: Roll Call

MOST Board Members present were Sarah Steelman, Commissioner Robert Stein, Thomas Baumgardner, John Klebba, Rich Aubuchon (proxy for Mike Keathley) and Rhonda Meyer (Proxy for Greg Steinhoff).

State Treasurer's Office (STO) staff present were: Doug Gaston, Mark Mathers, Jane O'Toole, Denise Chapel and Kelly Gunderson.

Upromise/Vanguard Staff present were: James Polinsky, Liz Robinson, Temeka Easter, Janet Kottman and Derek Delorenzo.

Item III: Approval of Minutes

Mr. Klebba moved to approve the minutes from the previous Board meeting held on June 12, 2007. Thomas Baumgardner seconded the motion, and the motion passed unanimously.

Item IV: Legislative Update

Ms. Steelman distributed a summary of the bills introduced in the 2007 legislative session that the State Treasurer's Office supported. These were the Legacy initiative (HB 442/SB 254), a clarification of the state tax deduction for married couples (SB 224) and SB 259, which allowed real estate brokers to contribute to a home buyer's or seller's account. Ms. Steelman indicated it was her intention to re-introduce these bills in the 2008 session as well as a repeal of the 12-month minimum contribution period for MOST and possibly statutory changes related to the 529 CD option.

Commissioner Stein inquired about any lessons learned in the 2007 session and whether we believe the same approach would work in 2008. Rep. Faith expressed the difficulty of just moving bills out of committee.

Commissioner Stein and Mr. Aubuchon also asked about the CD option and whether or not the Board or Treasurer's Office had received a letter from the Department of Revenue indicating they do not plan to enforce the law setting the 12-month minimum contribution period for MOST. Mr. Gaston indicated he had such a letter for 2006 and discussed meeting with or calling the Department of Revenue regarding this issue in the future. Mr. Klebba asked whether the sponsor of the bill that set the 12-month minimum

contribution period for MOST was supportive of its repeal, and Ms. Steelman indicated that this was probably not the case.

Item V: Annual Program Review

Mr. Mathers presented the annual review of the MOST program, which is required by state law. Mr. Mathers reviewed participation trends, contributions, and recent developments for the Advisor Plan and provided a comparison of participation for MOST to national statistics and to a peer group of Midwestern states. Mr. Mathers concluded by remarking on issues that may affect MOST's growth in the future.

Commissioner Stein requested information on contributions per account owner or beneficiary, if that was available. Mr. Mathers indicated he would provide that. Commissioner Stein also inquired whether we knew why account owners who requested rollovers out of MOST were doing that. Ms. Robinson from Upromise indicated that during its next regular process to print forms, Upromise would modify the redemption form to include check boxes or a similar feature to gather this information.

Commissioner Stein remarked at the end of the presentation upon ways to increase cross-fertilization and marketing between MOST and the Department of Higher Education including middle school college clubs, a kindergarten initiative and the use of an at-risk savings program. He also indicated that his department and MOST should compare messages regarding college that Upromise sends to advisors. Ms. Robinson indicated she would touch base with him on those ideas.

As an aside, Mr. Mathers noted that he is waiting for the annual investment review of the Direct Plan, which Vanguard is working on, and that he hopes to share that with the Board either in 2007-Q4 or 2008-Q1. Mr. Mathers also noted that he deferred his review of current funds in the MOST plan due to the recent changes to the Advisor Plan lineup.

Item VI: Quarterly Report

The quarterly report was presented by Robinson, Delorenzo, and Polinsky. Some of the highlights during the second quarter were \$73 million in asset growth during the quarter and \$28 million in new contributions. Ms. Robinson distributed media materials and, in response to a question at the last Board meeting, a chart showing account size. She also distributed an excerpt of Money magazine favorably rating MOST.

Commissioner Stein questioned whether people are contributing much funds if they have smaller accounts. Ms. Steelman requested further analysis of low-dollar accounts. With regards to Upromise's summary of marketing leads on page 7 of the reports, Commissioner Stein indicated that in the future, a year-over-year comparison would be helpful.

Mr. Polinsky distributed a corrected version of page 18 and reviewed the call center numbers for the Direct Plan in detail. Mr. Delorenzo presented information on the Advisor Program, including an increased in the number of meetings held by field representatives. Ms. Robinson also circulated a general timeline for the MOST CD program. Mr. Gaston explained that the CD contract is being delayed while the vendors and State wait to hear from the SEC regarding the issue of whether the CD product is a municipal security or bank product.

Rep. Faith asked about the status of the Upromise/MOST logos and grocery cards at grocery stores. Ms. Robinson replied that there have been events held at Hy-Vee stores, but nothing has changed with regards to the Schnucks and Dierberg chains.

Item X: Adjournment

Rep. Faith moved to adjourn, Mr. Klebba seconded. Meeting adjourned.