

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

State Capitol Building, Senate Committee Room 1
Jefferson City, MO
September 23, 2008

Item I: Call to Order

Chairperson Gaston called the meeting to order at 1:35 p.m.

Item II: Roll Call

MOST Board Members present were Doug Gaston (proxy for Sarah Steelman), Leroy Wade (proxy for Robert Stein), Mark Kaiser (proxy for Larry Schepker), Kent Seyer (Proxy for Greg Steinhoff), Thomas Baumgardner, John Klebba, and Rep. Sally Faith (via teleconference).

State Treasurer's Office (STO) staff present were: Mark Mathers, Denise Chapel, Tommy Robbins and Kelly Gunderson.

Upromise/Vanguard Staff present were: Derek Delorenzo, Stewart Duffield and Patricia Brady and Temeka Easter.

Item III: Approval of Minutes

Mr. Baumgardner moved to approve the minutes from the previous Board meeting held on June 12, 2008. Mr. Klebba seconded the motion, and the motion passed unanimously.

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

Mr. Mathers reviewed a draft of a revised MOST investment policy. He explained that at the last meeting, a Board member had requested changes to the policy to put the "WATCH" process for funds essentially on "auto pilot", whereby the Director of Investments would place funds on "WATCH" status based on set criteria versus the current process where the Board must approve his recommendations. Mr. Mathers pointed to changes on pages 3,7 and 8 related to this request.

Mr. Klebba remarked that the changed seems appropriate. Mr. Baumgardner asked whether changes would be made whether there was a quorum or not. Mr. Mathers responded affirmatively. According to the draft changes in the policy, action would be taken and reported to the board quarterly. Mr. Klebba moved to approve the amended investment policy. Mr. Kaiser seconded the motion, and the motion passed unanimously.

On a separate item, Mr. Mathers explained that there was nothing to report in regards to the Short Term Reserved Account.

Item V: Annual Report

Mr. Mathers gave a PowerPoint presentation summarizing his annual report of the MOST Plan. Section 166.450 of the RSMo requires an annual review of the Missouri Higher Education Savings Program by the director of investments of the state treasurer's office and the reporting of findings to the MOST board. The statute requires a review of five areas: Board administration, Financial status, Investment policy, Participation Rate, and Continued Viability. He specified all requirements in addition to the following: Number of Unique Beneficiaries enrolled in MOST (both direct and advisor plan), Total Contributions in MOST, MOST Plan Redemptions, Assets Per Capita, & Penetration Rate. Mr. Mathers completed the review for calendar year 2007. Mr. Klebba requested information on rollovers into MOST, so that we could compare rollovers into and out of MOST. Staff from Upromise indicated they would provide this information at the next meeting.

Mr. Gaston requested that Mr. Mathers explain the recent SEC action with regards to the MOST CD issue. Mr. Mathers explained that the SEC has chosen not to issue a no-action letter, which Central Bank and the Missouri Bankers Association (MBA) had required before they proceeded on the development of a record-keeping system as indicated in their RFP response. The MBA is looking into the issue further but for now, Treasurer's office will not proceed but should have a meeting with MBA regarding next steps. Mr. Baumgardner requested to know why the SEC took this position. Mr. Mathers replied that besides the reasons provided in their letter, he was unaware of their motivation in not providing the no-action letter.

Item VI: Annual Investment Review- Advisor Plan

Mr. Delorenzo presented the 2008 investment review for the Advisor Plan. His recommendations are: removal of the Roosevelt Multi-Cap Portfolio (due to a recent change in name and portfolio objective), addition of a new bond portfolio (American Century Intermediate Government Bond), and replacement of the three Gallatin risk-based portfolios with three Barclay risk-based portfolios (due to the fact that Gallatin would no longer be supporting these portfolios for non-Wachovia clients). He also reviewed the costs of the current line-up versus the proposed lineup. Proposed changes will reduce underlying fund expenses 5 basis points and portfolio expenses by 3 basis points.

Mr. Baumgardner asked what the total number of dollars is currently under Gallatin. Delorenzo replied \$20 million as of June 30, 2008. Mr. Baumgardner also asked the State Treasurer's Office for a reaction to Roosevelt's decision, and Mr. Gaston expressed disappointment in Roosevelt's decision and marketing of the fund.

Mr. Kaiser moved to approve the amended investment line-up. Mr. Wade seconded the motion, and the motion passed unanimously.

Item VII: Quarterly Report

The quarterly report was presented by Brady, Delorenzo, and Duffield. Some of the highlights during the second quarter were a 5.4% increase in asset growth during the quarter. Ms. Brady discussed the number of Upromise account owners that had signed up for MOST and reported that over \$126,000 had been swept from Upromise Rewards to Missouri 529 participants in the second quarter alone. Ms. Brady also gave an executive summary of the MOST Direct and Advisor statistics through June 30, 2008, including average funded account size and total beneficiaries. Ms. Brady reviewed the results from adding Nick Jr. to their online marketing campaign and reviewed the “529 Day” campaign positive preliminary results.

Mr. Delorenzo reviewed recent results for the Advisor Plan. Mr. Baumgardner inquired about how many of the 203 selling agreements mentioned were actually active. Upromise indicated they would provide this information for the next meeting.

Item VIII: Fund Performance Monitoring Report

Mr. Mathers reviewed the Watch status criteria and gave a detailed overview of the current funds on WATCH status. Pursuant to the revised investment policy adopted earlier in the meeting, no new funds have been placed on WATCH status, but the following funds remain on WATCH status: Legg Mason Value, T. Rowe Price Growth, T. Rowe Price International Growth, Templeton Growth and Van Kampen Comstock.

Item IX: Adjournment

Meeting was adjourned.