

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

State Capitol Building, Senate Committee Room 2  
Jefferson City, MO  
December 11, 2007

**Item I: Call to Order**

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

**Item II: Roll Call**

MOST Board Members present were Paul Wagner (proxy for Robert Stein), Sarah Steelman and via conference call: 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, Denise Chapel and Kelly Gunderson.

Upromise/Vanguard Staff present were: James Polinsky, Liz Robinson, Derek Delorenzo, Stewart Duffield and Patricia Brady.

**Item III: Approval of Minutes**

Mr. Baumgardner moved to approve the minutes from the previous Board meeting held on September 18, 2007. Mr. Wagner seconded the motion, and the motion passed unanimously.

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

Mr. Mathers reviewed information presented in response to Mr. Stein's inquiry at the previous meeting regarding the trends for contributions by account owners. Mr. Mathers explained that since TIAA-CREF and Upromise defined an "account" differently, he collected information on the average annual contributions per beneficiary. There were two slightly different methodologies used to collect the information, but both of the charts that were presented showed a decline in the amount of MOST contributions per beneficiary over time. Mr. Mathers explained that possible explanations for this are that the "early adopters" of 529 programs tended to be more sophisticated investors, which as a rule have more discretionary income available, and secondly that MOST has been more successful in reaching low- and moderate-income families in recent years, which have less monies to contribute to MOST accounts than affluent customers. Ms. Robinson concurred with these explanations.

**Item V: Quarterly Report**

The quarterly report was presented by Robinson, Delorenzo, and Polinsky. Some of the highlights during the third quarter were \$33 million in asset growth during the

quarter and 3,000 new accounts. Ms. Robinson discussed the number of Upromise account owners that had signed up for MOST. Ms. Steelman asked what Upromise had done in the way of e-mailing MOST account owners about the Upromise rewards program. Ms. Robinson mentioned legal concerns with marketing other programs to MOST accounts. Ms. Steelman asked Upromise specifically what law or regulation prohibited this kind of contact. Ms. Robinson indicated that she would provide that answer. Mr. Wagner asked about the financial impact that having a 529 account balance had on the financial aid process. Ms. Robinson and Mr. Polinsky explained that the impact depends somewhat based on its treatment, and they indicated they would provide additional information on this issue.

Ms. Robinson then reviewed the fall marketing campaign and results. A video of the latest MOST commercial was shown. Mr. Gaston requested a breakdown of cost per account owner by marketing channel in addition to the information on cost per lead shown on page 8 of the report. Information on the Advisor Plan marketing campaign, Advisor Plan results and fund performance were also presented.

Ms. Robinson explained that she will be moving to a full-time marketing position at Upromise and introduced Patricia Brady as the new relationship manager for MOST. Mr. Polinsky discussed a reorganization of relationship management staff at Vanguard and introduced Mr. Stewart Duffield as his replacement. Ms. Brady and Mr. Duffield each reviewed their experience.

#### **Item VI: Mutual Fund Review**

Ms. Steelman explained that she had asked Vanguard and Upromise to present information on any direct subprime, CDO or SIV exposure of underlying funds in the MOST program. Mr. Polinsky reviewed his memo to the State, including the fact that Vanguard funds had no exposure to SIV's or CDO's. Mr. Delorenzo explained the research that Upromise staff had done to confirm the same for underlying fixed income funds in the Advisor Plan. Ms. Steelman requested a memo documenting these findings for the Advisor Plan.

#### **Item VII: Adjournment**

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