

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

State Capitol Building, Senate Committee Room 1
Jefferson City, MO
September 7, 2005

Item I: Call to Order

Chairperson Steelman called the meeting to order at 1:00 p.m.

Item II: Roll Call

Board members present were Sarah Steelman, Thomas Baumgardner, John Klebba, Randy Allen (proxy for Mike Keathley), and Jim Matchefts (proxy for Greg Fitch). Other attendees included:

- Doug Gaston, Jane Dudeck, Jane O'Toole and Mark Mathers of the State Treasurer's Office
- Mary Lehman and Deanna Riley, TIAA-CREF
- Eric McClure, Department of Economic Development
- Wade Nash, MBA
- Marshall Wilson, Husch & Eppenberger

Item III: Approval of Minutes

Mr. Klebba moved the minutes from the August 15, 2005 meeting be approved. Mr. Baumgardner seconded the motion, and the motion passed.

Item V: TIAA-CREF Proxy Vote

Ms. Steelman requested that Item V on the agenda be heard before Item IV due to the possibility of a lengthy discussion on the MOST RFP. Ms. Steelman explained that TIAA-CREF has proposed an increased to investment management fees for their actively managed funds. The MOST program is required to vote or appoint a proxy for the vote on this proposal. The MOST program owns 45% of shares of one fund and a smaller percentage of other funds. The vote is tabulated based on the proportionate shares of each owner. Ms. Steelman explained her concerns regarding the proposal.

Mr. Baumgardner asked whether TIAA-CREF wanted to make a presentation, and Ms. Steelman invited TIAA-CREF representatives to speak on the issue. Ms. Griebert explained that she is not employed by Teachers Advisors, Inc., but indicated that the fee increase was requested for the profitability and viability of the funds in question. Mr. Baumgardner noted some of the media accounts regarding this issue.

Ms. Steelman made a motion to oppose TIAA-CREF's proposal to increase fees for actively managed funds, as proposed via their new investment agreement between

Teachers Advisors, Inc. and these funds, and to approve the remaining items proposed in TIAA-CREF's proxy statement. Brian Grace seconded the motion. The motion passed unanimously 6-0.

Item IV: Approval of RFP

Ms. Steelman explained that Mr. Mathers and a subcommittee composed of Mr. Allen and Mr. Matchefts had worked on preparing the Request for Proposals (RFP) for selection of a program manager for the upcoming contract term. Mr. Mathers then reviewed the evolution of the RFP industry since 1999 and the efforts made in drafting the RFP to address these changes and at the same time preserve the low-cost aspects of the current program. Mr. Mathers reviewed the key points in the introduction on pages 4-5 of the RFP, highlighting the preference for multiple fund families, diverse investment options for the Advisor program and a preference for a single program manager. He also reviewed the structure of the RFP and commented on marketing issues.

Mr. Klebba inquired about the statement in the RFP that we were requesting monthly reports. Mr. Mathers explained that staff was looking for simple monthly reports showing balances and more in-depth quarterly reports.

Mr. Klebba moved to approve the RFP with latitude for staff to complete certain dates in the RFP. Mr. Allen seconded the motion and noted that staff had gone beyond the norm in providing more substantive evaluation criteria than a simple cost review. The motion passed 6-0.

Item VII: Adjournment

Mr. Klebba moved to adjourn the meeting of the Missouri Higher Education Savings Board at 2:00 p.m. Mr. Allen seconded the motion. Motion passed.