

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

State Capitol Building, Senate Committee Room 1
Jefferson City, MO
September 12, 2006

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, Rep. Sally Faith, Thomas Baumgardner, Rich Aubuchon (proxy for Mike Keathley), John Klebba, James Matchefts and Brian Grace (proxy for Greg Steinhoff). Other attendees included:

- Doug Gaston, Jane Dudeck, Jane O'Toole and Mark Mathers of the State Treasurer's Office
- James Polinsky of Vanguard
- Liz Robinson, Jeff Howkins and Derek DeLorenzo of Upromise

Item III: Approval of Minutes

Mr. Klebba moved the minutes from the June 14, 2006 meetings be approved. Mr. Aubuchon seconded the motion, and the motion passed.

Item IV: CD RFP

Mr. Klebba moved that the Board go into closed session to consider staff's report regarding the MOST CD RFP. Mr. Aubuchon seconded the motion, and the motion passed unanimously via roll call. The Board went into closed session at 1:05 p.m.

Mr. Aubuchon moved that the Board reconvene open session. Mr. Klebba seconded the motion and the motion passed unanimously by roll call. The Board reconvened the open meeting at 2:15 p.m.

Item V: SB 641

Ms. Steelman explained that SB 641 was passed late in the 2006 session and was signed by the Governor. This bill sets the minimum length of time for qualified contributions in the MOST plan to be 12 months. Ms. Steelman explained the reasons for her philosophical opposition to the bill. Mr. Grace inquired whether the sponsor of the bill had been contacted with these concerns and Ms. Steelman responded that he had. Ms. Steelman distributed a copy of correspondence from the Department of Revenue verifying that they would not implement the tax deduction aspect of the law in 2006. Ms.

Steelman also explained that if implemented, the law may result in a 20% penalty in certain situations

Mr. Gaston also explained that implementation of the 12-month minimum contribution was not yet possible as this would entail additional costs of Upromise, Inc. and that Upromise, Inc. would need sufficient time to reprogram and test changes to their software to generate needed reports. In response to a question from Mr. Matchefts, Mr. Howkins explained that none of the states that Upromise serves currently has a minimum contribution period. Ms. Robinson estimated a time period of 4-6 months to complete the programming, and Mr. Howkins provided additional detail on the steps necessary to implement this programming. Mr. Gaston indicated that the State Treasurer's Office's legal position was that the Board cannot enact a minimum contribution time period until the State is in a position to implement this. Mr. Matchefts inquired whether the additional reprogramming costs were a responsibility of the State or Upromise based on the State's contract with Upromise.

Item VI: Upromise's Quarterly Report

Mr. Howkins presented the Second Quarter report to the Board and explained that since Upromise assumed program administrator responsibilities on June 5th this report encompassed basically 25 days. Ms. Robinson reviewed the report with the Board touching on account and asset data, enrollments, marketing events and other data. Mr. DeLorenzo reviewed statistics and marketing for the Advisor Plan. Mr. Polinsky reviewed customer contact information and investment performance. Ms. Robinson invited feedback from the Board on the format and data presented in these reports.

Item VII: Upcoming Marketing Events

Ms. Robinson explained that marketing events had been covered in the previous discussion.

Item VIII: 2005 MOST Annual Review

Mr. Mathers presented his statutorily required annual review of the MOST plan for 2005, touching specifically on investment performance and participation in the program.

Item IX: Adjournment

Mr. Klebba moved to adjourn the meeting of the Missouri Higher Education Savings Board at 3:05 p.m. Ms. Faith seconded the motion. Motion passed.