Welcome and approval of the February Minutes
John Driscoll moved that minutes approved, Paul Christofferson seconded. No corrections or discussion. Minutes unanimously approved.

At the last meeting, Dan Davenport had commented that the College Savings Bank (CSB) Board of Directors was required to have an equal number of independent directors. However, there is no required ratio. Given size of bank, there is FDIC requirement that there be a majority of independent directors. The audit committee is made up of 3 members, and all three are independent directors.

Also, was mentioned that CSB might have plans to take the bank public. At this time, there are no plans to make bank public.

College Savings Bank Presentation

Annual Report

- Marketing changes with emphasis on personnel products, technology assistance, online banking/website, new broker platform. Rebranding/reprinting to remove Pacific Life logos and new palette matches look of State of Montana.
- Investment kit, able to target to specific needs.
- Trailers on PBS and print ads.
- Internet primary source of info, research online before buying. Website tweaked frequently. Live chat.
- Advertised at Last Chance Stampede. Newspaper. Cat/Griz program and online leaderboard ads. In-game radio script.
- New wholesaler hired, Scott Pingree. Has 20 years' experience, existing network of brokers.
- 88% more people looking at site than last year. More out-of-state people looking at plans than in-state. Reflective of population areas. ‘Bounce rate’ – people who left after short period – is higher than CSB would like to see.
Broker partners – DST system allows brokers to look at info for clients online. Will help to grow broker channel. Focus on growing existing network, not necessarily adding more.

Metrics – Deposits mostly CollegeSure, 10% Investasure (first batch matures in 2013). Participation rate 70%.

Investment plan – bulk of product in Growth and Moderate growth. About 95 million in deposit.

Acquisitions – Distributions of bank plan and investment plan typical of previous years.

Looking forward, looking to keep unified look, choices within plan. New website and broker portal. Email marketing. Easy to find, easy to learn, eliminate human error. John Driscoll asked about App made for cell, Nancy said very doable.

Marketing Plan

Investment plan concern. Nancy has a call with Vanguard today to discuss marketing. Unsure if they are aware of the current trends. She will report back to Amy and Robin.

Currently, 27.9% of Montanans have BA, which is close to national average.

Age – Later than most 529 plans. Many families start in mutual fund and determine age to turnover, often happens around middle school.

Researching activities that AARP might have in Montana, targeting grandparents. Will report back to Robin/Amy.

Nancy is going MEA in October, planning to get counselors involved in promoting. GSL will also be there and will coordinate with Nancy. SFS is also looking to partner with K-12 for financial literacy, 529, etc. Concern that marketing to counselors may just come off as just another bank. If CSB partners with SFS at MEA, K-12 may be more receptive.

Vital records – Haven’t been able to partner in Montana yet.

The transition occurred around 1/12/2012 and Pacific Life Funds completely exited the program. At that time, online banking platform was promised and thought of as very important, however, the prior owner never gave the resources. CSB has now hired an IT person with experience launching online/mobile platform who is starting in 2-3 weeks. The plan is to expand the IT department from the current 2 people to 4. Engaging consultant. The target date for online platform is March 1. Technology will be at forefront. Working on finding the right people, and this takes time. They are making offer to a second IT person tomorrow. Metrics from 2010-2011 are not satisfactory, even considering the change in economy. Contributions have been down. Want to bring levels up, and the way to do it is through technology. Planning to hit the ground running in next 2 weeks.

John Driscoll asked if CSB has thought of marketing to groups that do community activities, such as athletics. He was surprised by the level of active support by parents of kids in programs. Recommend that CSB talk to coaches. Parents of kids in activities seem to be planning to get their kids to college.

The average monthly contribution to bank plan about $170 per month and investment plan $130. Normally investment plan’s would be higher than the bank’s. After someone becomes a client at the bank, CSB calls them and talks about doing monthly ACH or deposit. CSB is in touch frequently. Unsure what Vanguard does, and that will be part of the discussion Nancy has with them. Generally investment plans overall are higher than bank plans in similar states. Thinking it should be more like 60/40 or 70/30. Clearly investment plan had more assets under management than the bank plan. Pacific life had 5-yr jump on investment plan. Once switched over, there was lots of runoff as clients switched out to other brokers.
Fees are higher for Vanguard in Montana than nationwide average. Justification by Vanguard is volume / economy of scale. Goal for contract renewal is to get fees down. Some states don’t have the administrative fees because they do a lot in-house. Account numbers are growing, but at lower amounts and monthly averages for their deposits are a little lower. Lower initial deposit. Amy reported that while the Investment Plan’s monthly averages and initial deposits may be lower than the Bank Plan’s, that the Investment Plan is opening a lot of accounts where the initial deposit is $25 (the minimum deposit). So while the assets aren’t rapidly growing, new accounts are still being opened. The demographic likely opening these low initial deposit accounts are the lower income demographic, which is good because that’s what these plans were initially designed for.

Amy gets monthly report, and can forward monthly or quarterly to MFESP OSC members. Growth every month since transfer and almost back to transfer mark. There are things with contract renewal that can be improved upon. There was concern that there would be more runoff and there wouldn’t be enough to keep Upromise interested, so maybe hit middle ground.

Always been important that this program hit people who are not as sophisticated in investing and people who are preparing for college. Jon Satre stated he would like to see more targeting. Todd Buchanan stated the marketing would need to be targeted at people, not brokers. The people who need the most are the ones who may only be able to do $25/mo.

CSB’s use of Scott is going to be fairly broker-directed, partly because of his current influence. Retention higher than anticipated, a great opportunity point. Members would like a detailed marketing plan with more specific details about activities that CSB and Upromise will be doing, things that MFESP can track and check off when complete. Nancy will put together marketing calendar for next year. A spending plan would be good. There has been a spending plan in the past but the committee hadn’t received the breakdown until the end of the year. With a spending plan, it could be tied in with monthly tracking. College savings nights in communities may garner support from brokers and community. Lower income brackets might be interested in doing both retirement and college savings. Scott will be doing local activities.

The committee’s request for a marketing calendar and spending plan are not intended to be construed negatively. The last few years have been beneficial, and Montana people have benefited greatly. Just looking to tweak and make better. Before there was a lot of talk, not much action. The new owners seem motivated.

Consumers would like to know what businesses to go to that will benefit Upromise. John Driscoll requested clarification on things like where to shop, how process works, where money goes.

Jon Satre asked if CSB was strapped for staff and if they are staffing up in other areas. CSB wants to make sure that people hired are right people and that they don’t over hire. Nancy will be working closely with Amy and Robin, Scott, and local communities to see what CSB can do. The plan is to dedicate more time to Montana, and CSB will be adding additional staff as the need arises.

Mary Ann Busse asked what direction CSB sees the marketing teams heading. In-house marketing team development, but doesn’t have staff in place that they’d like. Nancy currently is doing a lot and outsourcing, starting to look now for another marketing person in-house. Looking into more high-level help, but need to have a better handle on what marketing expertise is needed first. Not happy with results of marketing in 2011. Although the economy had an effect and some variables are out of CSB control, marketing efforts were lacking. Nancy has been on for 6 months, and CSB is currently ahead of where they were in 2011. Looking into mailers, birthday cards, vital statistics, enhancing web presence, mobile apps, but need to know what is truly needed before hiring, then target hiring to get best bang for dollar and what skills marketing person should have. Need to better analyze info obtained through IT.
Bob Minto stated that, until demographic that is buying is understood, can’t design marketing plan. Often, the best bang for buck may be to not hire at all, but to go to an entity that has all pieces that might need. Look at who is buying. Social media approach may be more important than direct mail if parents, but grandparents are more likely to be reached by direct mail. Older generations tend to have money, and younger generations with money don’t have kids. Need to target spending, be flexible, move with the economy, understand the demographic. Take deep breath and analyze internal data to come back with well-focused plan.

**College Savings Award**

CSA started in February. Almost at a point to start analyzing the goals that were set. People are using the award and talking about it, but may not as much awareness as would like. Hoping in February to look at award recipients’ accounts to see if people who signed up actively sought it. Need to reach out to more people and determine whether the award is generating deposits. People who get it like it. MFESP has been receiving nice comments. As part of the marketing and contract discussion, plan to keep an eye on it and decide what to do with it.

**Sole Source and Contract Negotiation Discussion**

Specific tactics, details may be discussed in more of a work session. It was decided to discuss the overall framework now and then the details at later date.

- **Goals for Contract negotiation**
  One option is to sole-source, and MFESP is approved to sole-source for another 7 years. Might affect Upromise and the fee structure.

- **Mary Anne Busse’s thoughts**
  Mary Ann stated that some states statutorily MUST go to RFP and may have limits to length, etc. Some can negotiate on sole-source, but the treasurer will generally choose to do an RFP. Some states will go for an RFP depending on the size of the plan. Some have opportunity to renegotiate without RFP. Montana has had CSB since RFP in 2006. Regents have the authority to extend in sole-source for another 7 years after the current contract ends May 2013, ending first procurement approved cycle for CSB.

  Pros and cons – RFP process can be long, can be involved, but also offers variety. State tax incentive helps Montana receive bids. There is still time to do RFP if choose to go that way. Tennessee just launched own plan, and decided to launch self-managed plan like Utah and Virginia. Developing in-house w/ staff and received funding from state to get up and running. Had been rolled into Georgia plan, but didn’t work out. Managing all in-house on their own allows them to charge lower fees. Tennessee is housed in treasurer’s office. Utah and Virginia run through separate independent agency established to operate the plan.

  Wyoming had 500,000 in assets rolled into Colorado. Contract ended and was not renewed. Rollover into other states has not proven beneficial to residents and a couple years ago they voted to pursue sole-source option.

  In this economic environment, CSB doing about as well as can be expected. Lot of economic adversity, and there is concern about bringing new player at end of 2013. Anticipated that 2013-2014 will be economically
different. MFESP OSC members are inclined to continue and renegotiate the contract. Some things that can be improved upon during renegotiation, and the regents have to approve the contract. MFESP staff will work on the specifics and will bring to the committee members.

Contracts entered into in late 90s are obsolete, and plans are becoming more aggressive. Prior contracts entered into with CSB were written for new type of endeavor without a lot of history. There were not many benchmarks or information, so contacts were designed to allow administrators to make sure plan operates as should. Now there are measurable benchmarks that milestones can be set with to judge performance. Amy and Robin will work with Mary Ann to figure out details and stated they would welcome ideas from committee to be emailed to them.

2013 Legislature

- Only currently 2 bills that appear to mention education savings, and wording may not focus on tax parity. Sound like potentially to open educational savings accounts for private schools. Lots of other states are doing this. ‘Generally revise school laws creating education savings accounts” (sponsored by Dave Lewis, drafted by McCracken) Establish education savings accounts (sponsored by Art Wittich, drafted by McCracken)
- MGSLP will be requesting additional spending for 529 plan. Requested funding in past. Have fund balance, and requesting additional $50,000.
- Robin summarized MGSLP/SFS organizational structure. MGSLP no longer has director. Bruce Marks no longer with MGSLP. Robin mostly oversees MGSLP, and Ron now director of SFS. Some overlap between Ron and Robin pertaining to 529, affordability, scholarship.
- Ron stated SFS began to focus on financial literacy, financial aid, affordability and has moved more directly into OCHE, working more closely with regents. Main focus is student loan debt and statewide coordinated and structured approach to financial aid and financial literacy.
- Bob Minto stated that they have a full-time lobbyist (Roger McGlenn) who can assist with coverage in committees during the session.

Ron discussed that 1 in 5 families have student debt, average around $25,000. National numbers include private schools, but Montana is a little higher than national if comparing peer schools. Low-income students are borrowing more, and 90% of Pell recipients borrowing as opposed to 60% overall. Low-middle income families are not receiving much aid. Affordability task force made recommendations and MUS is asking the legislature for funding for NBA, default prevention, financial literacy funds. In addition, SFS received funding via the Challenge Grant and will put towards NBA, financial literacy, outreach. Campuses will respond to RFP and provide programs for best practices. Over a few years, pilots will become coordinated effort in financial literacy. Default prevention Montana one of the lowest nationally with centralized default prevention services, however no more funding from federal government for this. Campuses are expected to help students, but don’t have expertise.

Next Meeting
Robin and Amy will work on contract details and will set a time for the next meeting.
Bob Minto stated a problem with the economy is that there is no incentive for institutions to pay reasonable interest rates and the interest rates CSB pay will be minimal at best. Part of reason for no growth may be that it just is not there. Not many will risk education funds in the current stock market. Not much hope that things will change on horizon.

Meeting adjourned at 11:07 a.m.