Montana Family Education Savings Program (MFESP)
August 10, 2009
GSL Conference Room - Helena, MT
10:00 am – 1:00 pm

In Attendance:
Board members: Jon Satre (Chair), Lynne Egan, John Driscoll, Mick Robinson, Linda Zander
Public: Jason Thielman (College Savings Bank, CSB)
GSL/OCHE Staff: Bruce Marks, Robin Graham, Sheila Newlun

1. Welcome and Introduction:
Jon welcomed all and introduced the newest member of the committee, Linda Zander. Mick Motioned: to approve the minutes from the last meeting, John seconded. Vote: all in favor, none-opposed.

2. InvestorSure CD Report:
   Jason Thielman presented the update
   CSB is pleased with the overall performance of this product
   100% principal protection, especially in this market, has been very good for investors
   Just completed latest offering in August for new accounts;
   • 30 in-state for $130,257
   • 8 out-of-state for $206,843
   Offering in May;
   • 37 in-state for $268,849
   • 24 out-of-state for $460,213
   Offering in December;
   • 73 in-state totaling $281,911
   • 5 out-of-state totaling $68,883
   CSB has been able to maintain the 85% participation rate, however, during times of low interest rates and high volatility, the cost to the bank for the hedge product increases. The cost of that hedge product had been problematic for the bank, but rates and volatility have returned to more normal levels.
   Bruce – the Committee should discuss if lower participation rates can be considered if the market continues in these trends in the future.
   Returns are based over a 5 year period, with quarterly evaluation points for losses/gains to be averaged when the CD matures, this helps ensure an investor is less impacted by the volatility of fluctuating market on the day it becomes due
   Committee members – happy with the product and appreciate the bank maintaining these levels
   CollegeSure has seen a good increase lately, probably due to the safety of investment

3. MorningStar Report follow-up:
   The MorningStar article contained much misinformation
   The response from Pacific Life was simple and to the point regarding omission and corrections to the misinformation
   An internal document was also created to address possible questions or complaints
Was presented to the Board of Regents as part of the Pacific Life update, nothing else came of it this year
Committee members voiced a concern regarding next year. Wondering if Pacific Life had a formal response?
What can be done to avoid this next year? Maine has had the same rating issue, they are very proactive in reaching out to MorningStar and have a good contact there. Robin will contact Maine for this information and will be proactive and mindful especially preceding the times these reports typically come out, to be sure MorningStar is presented with the correct information, to help them make an informed decision
Some talk that Pacific Life may be coming up with an age based product in the future, however, these have also received some bad press lately for being too aggressive

4. Performance Report for Pacific Life:
- This presentation was made to the Board of Regents during the May meeting
- Pacific Life will revisit the fund waiver in 2010, it is in place until then

5. Model Portfolios for June 30, 2009:
- Overall the performance has been pretty good for investors, as compared to other similar funds

6. Changes in the MFESP state program:
- Pacific Life has informally given notice to MFESP that they would like to transition out of the 529 college savings plan business.
- A 2-year extension to the contract has just been signed, so the MFESP has just under 2 years to find other investment options.
- Pacific Life has said (informally) that they are willing to turn the assets over. This should make the program more attractive to potential bidders.
- Even though Pacific Life owns College Savings Bank (CSB), this will not affect the relationship the bank has with MFESP – their primary business is 529 plans

7. Request for Proposal (RFP) discussion and next steps:
- Lots of discussion about who has the authority to issue an RFP – CSB is the Program Manager and could bring in additional investment options with the approval by the Board. If the MFESP Oversight Committee is not satisfied with the options presented by CSB, they can issue a separate RFP as well.
- First action is to obtain the intention in writing from Pacific Life, including their willingness to transfer assets
- The highest priority of this project is to ensure that investors do not have to make a non-qualified withdrawal as part of this transfer process
- Due to the lengthy RFP process, CSB will start discussions on this right away and will start developing options to bring to the committee
- Bruce – Pacific Life has not given a firm termination date yet, but wants the transition to be as smooth as possible
- Currently out-of-state investors pay a $25 annual fee – this is how the administration of the 529 Plan is funded, just something to keep in mind as things progress
- It was suggested that possibly a consultant could be hired to “police” the bank, to be sure all choices are upfront, possibly in place of filling the Education Savings Analyst Position. Keeping in mind that the guaranteed revenue to support this position ends with Pacific Life’s termination. It was pointed out that the Education Savings Analyst position is a full-
time job that supports the program and does the everyday maintenance required to keep it from falling on others’ shoulders within the Agency. If a consultant is hired to provide further help with the process (the search to fill the Education Savings Analyst position will continue), it would be beneficial to stay under the $25,000 limit, so it could be done as a Limited Solicitation, rather than a full RFP. Robin volunteered to get in touch with Mary Bussey (who does this type of consulting) to “pick her brain” about the options in front of the Committee.

- Ultimately it was decided that the Committee would like to hear the options to be presented by CSB by the end of the year, if they are not satisfied with those options, an RFP can be issued after that. If they are pleased with the options, an additional RFP may be not be necessary.
- Either way, new options will be chosen, there needs to be a clear goal of exactly what choices the Committee wants to offer investors.
- It was decided to setup a meeting in early November to hear the options from the CSB, leaving enough time for an additional RFP to be developed if necessary.
- Jon, Bruce and Robin will conference with Todd Buchanan to fill him in on these discussions, before any decisions are made.

8. Status update on the Utah partnership:
- This project should stay on the radar, but put on the back burner for now.

9. Vice presiding officer election:
- Mick volunteered to fill this roll. Jon motioned to nominate Mick Robinson as the Vice Chair of the Committee, Lynne seconded. Vote: all in favor, none opposed.

10. Status of the vacant Education Savings Analyst position:
- The hiring committee is interviewing six candidates. Due to the amount of everyday workload and the upcoming RFP, the hiring decision will come soon.
- Jon and members – thank you to Robin for all her hard work in the interim.

11. Next Meeting:
- The next meeting will be in early November, not to conflict with the Board of Regents meeting.
- Robin or Sheila will send out tentative dates soon, so members can check their calendars.

Additional Discussions:
- CSB Annual report – all Board members thought this years’ report was much better than in previous years. Miscellaneous questions were fielded by Jason. Jason will check into the meaning of “Floating Rate Loan”. The banks website is looking better also, and will undergo a more extensive transformation soon. Jason also agreed that the bank could consider having a presence on FaceBook, MySpace, etc…
- Robin is giving a presentation at the CPA convention, Jason will join her on Thursday.
- Jason mentioned the Department of Treasury’s requests to investigate if 529s are being too aggressive, he will forward this to Robin.

Adjourned: 12:05 p.m.