Montana Family Education Savings Program (MFESP)
February 23, 2012
GSL Conference Room 201A – Helena, MT
9:00-11:00 AM

In Attendance:
Committee Members: Jon Satre, John Driscoll, Paul Christofferson, and Robert Minto
College Savings Bank: Dan Davenport
GSL/OCHE Staff: Bruce Marks, Robin Graham, Amy Berry, and Amy DeMato

1. Welcome and Introductions:
Jon welcomed everyone to the meeting.

Robert Minto motioned to approve the minutes from the last meeting, John Driscoll moved to accept.
Vote: all in favor, none-opposed.

2. College Savings Award:
   - Amy and Dan explained that the $1,000 monthly giveaway officially started on February 1st. They are now collecting all new account owner information as well as those who fill out the form off the website. College Savings Bank is housing all the collected data and has built a drawing tool that will select a winner at random. Overall, we are excited to see how it goes and hope that local publicity will increase once a winner is selected. Discussion followed
     o Jon also thinks that awareness will increase, Dan also agreed as the program is taking off during the 1st quarter
     o Notices have been sent to schools, Dan’s team is contacting current account holders to make sure they are informed
     o A state-wide press release went out regarding the program, Dan thought that press would likely pick up, once a winner is announced
       ▪ Jon suggested contacting Chuck Johnson
     o Bruce had the idea of asking Commissioner Clay Christian to present a check to the winner
     o Bob mentioned a conversation he had with an employee who hadn’t heard anything about the award and was unsure where to go for more information.
       ▪ The College Savings Bank and Montana Family Education Savings Plan websites have all relative information.

3. Honors Savings Account:
   - Dan said that last year was the most successful year for the bank, this is a big accomplishment and rates have been reflecting the success. Dan then discussed the honors account, which is a straight savings account that is pure and liquid. The initial stipulations of offering this product to new account holders and allowing only one initial deposit are no longer in place. The goal is to have the highest savings account within the 529 spectrum, currently Sallie Mae is their largest competitor. Discussion followed
     o Jon asked if this product is independent of the Montana Savings Program
       ▪ Dan said yes, the only stipulation currently in place is that the product is an online only entity; to help drive more people to the website and keep the cost of enrolling low
     o John asked if you get a tax deduction with this account
       ▪ Dan said yes
       ▪ Bruce clarified that we would need to get the Board of Regents approval first
     o Jon then asked about those customers who already have a savings account and want to open an Honors
       ▪ Dan explained that the accounts wouldn’t tie in the same way; no transfers between accounts is allowed as it is with the accumulator account
     o Jon inquired if you could save money in the account to then feed into other products
       ▪ Dan explained that an investment change is allowed once, per calendar year; or once the account has matured. This will naturally push the rates of other product up
     o Jon reminded everyone that this product was taken off the table due to the stipulations surrounding it; those stipulations are no longer in existence

   - Dan reiterated that this is an inexpensive way to save and even though it is a savings account, it is considered to be “sticky” money; as the assumption is that the funds will be there for over a year
     o Jon thought that the rate was interesting; the quorum is here; however, this was not posted on the agenda as an action item
       ▪ Bruce said that because it has different terms and conditions, we would need to present it to the Board
     o Jon thought the right approach would be to formalize a presentation and send it to Amy Berry, at which point the OSC would review and approve if needed and she can send it on to the Board for approval
Dan explained that College Savings Bank plans to do a quantitative study to determine how many families know about 529 accounts; paring this study with an in-state focus group will help gain deeper understanding of what is selling best. Discussion followed

- Bob stated that we need to focus on cost factors, as Pacific Life was more expensive than our current plan. We also need a tagline or something that shows our program is viable and competitive. He suggested sending a congratulations card to each new mom to help plant the idea at the beginning.
  - Amy Berry clarified that we do have information going home with new parents, but it hasn’t been very effective as far as bringing new moms in. It’s difficult to get interested people to take the next step. She also added that sole sourcing will hopefully allow us to lower fees.
  - Bob thought that since new moms get so much information, we should approach it differently; perhaps send them a congratulations card and fridge magnet to help trigger more action.
  - Dan agreed and suggested contacting new parents initially, then contacting them a few month later to follow up further.

- Jon asked if there was anyone currently still in the state, Dan said that Jason Thielman is still involved with the state.
- Jon thought back to when he started seriously thinking about his children’s education, and thought that once kids were in middle school it seemed more appropriate to take action. Data would be interesting as he has noticed many of his high school senior daughter’s friends are all scrambling for funding.
  - Dan said that we are currently throwing darts at night, but once an age is identified then we can do more direct targeting. He also explained that College Savings Bank is compiling tools for students and parents who are seeking funding into one resource center.

- Jon stated that people who are saving in 529 accounts are those who are more economically stable.
  - Dan clarified that it is a national problem, lower-middle class are either unaware of the program or cannot afford it, possibly both. Changes are needed to equate the program with needs; though it is difficult to pair savings with the increasing cost of college.
  - Amy Berry agreed with Dan that gauging costs is very difficult.

- Jon added that by saving in 529 accounts it hurts the potential amount that could be received through FASFA.
  - Paul considered this to be a real dilemma.
  - Amy Berry thought that this made grandparents even more critical. So far we’ve tried to target state employees by printing information on their paystubs. We might also try sending out mailers as they are a good test market.

- Jon asked Dan to reminded everyone of College Savings Bank’s marketing plan for Montana. Dan explained that in the past he usually has an outline that has been approved by the board; however, as the bank was sold the first board meeting isn’t until 2/29. Dan will present his plan at the meeting and if approved, send it on to Amy Berry. In past years the main approach has been direct mail paired with media, as well as, billboards, radio, and television. Once research in-state is done Dan feels confident that Montanans are more aware of 529 plans compared to the national level. The biggest challenge remains to be converting accounts, helping prospective account holders take the next step as addressing their lack of understanding and dealing with their concerns will help break down those barriers. The plan is to go and listen to consumers, then take those responses back directly to build greater brand awareness and gain accounts. Dan also discussed getting more involved within the community, where parents are so that we can further explain our product and have better representation. Discussion followed
  - Jon asked about any changes to staff in Montana.
    - Dan said yes, they will be reaching out to some universities for interns and plan to push distribution; Dan used local bankers as an example. Once they understand the product and its benefits, they can a mouthpiece to other customers. Lauren, the Director of Marketing will help drive this; she is very skilled in grass roots marketing and translating information to the web to ensure its availability.
    - Amy Berry mentioned that she has been trying to work with OPI, but is having trouble following-up with them. Jon asked if there was anyone currently still in the state, Dan said that Jason Thielman is still involved with the state.
Dan then discussed the interest rate component. Rates are compressed and consumers are used to it; for example, in Arizona rates are bad and College Savings Bank rates are higher than the national average.

- Jon asked where Montanans are investing their 529s
  - Dan said that 35-40% of Montanans invest in InvestorSure as they are looking at fixed rates and will run the risk of seeing a return
- Jon asked about Vanguard products
  - Dan said that Vanguard outperformed Pacific Life, thanks to lower fees
- Amy Berry said that according to the monthly data sheets, the initial dip that was seen in Vanguard products is now increasing. She stated that people are depositing lower amounts over time, so even though there isn’t a large initial deposit, we are gaining more accounts.
  - Dan agreed, and said that in the past the average initial deposits were roughly $10,000. In 2010 the number dropped to $6,000; presently the average initial deposit is less than $3,500

Dan stated that more accounts were opened in a single four month period than over the entire year.

- Jon asked for specific figures
  - Dan said that in October there were 100 new accounts, in November there were 200. December is always the strongest month for new accounts and January usually drops; however, this year it did not. Dan also discussed the increase in website traffic as it grew 400% from 2010 to 2011. People are coming to the sites for more information.
  - Amy Berry explained that because the approach is changing, we will see greater results once targeting is figured out
  - Paul thought that targeting state employees was still a good idea, as they are an untapped resource

Bob discussed a different perspective he has been hearing about from parents and students. Skepticism exists in relation to the value of higher education; Is College worth it? Should we be focusing on the usefulness of the colleges of technology in addition to four year schools?

- John said yes, that we should consider it as part of our strategy

Bob then discussed the idea that if college is four years, then it isn’t legitimate college; this has been the message for about 50 years.

- Amy Berry and Jon explained that this issues is currently in front of the Board of Regents for further addressing
  - Bruce further explained that the message we are hearing is that more college education isn’t worth it, if you end up with a lot of student loans. The College Savings Bank plan eliminates that fear and the need for loans
- Bob said that skills are needed to make a target employee, this fits into the whole concept of targeting two-year institutions as a feeder for four-year schools could really resonate with students and parents
  - Bruce agreed and thought that investment numbers could be more manageable

5. **Sale of College Savings Bank:**

- Dan has not yet had the opportunity to work with the new staff but gave an update regarding the sale of College Savings Bank. The bank was sold on January 12, 2012 a new ownership made up of 18 investors. The majority of these investors from New York, all are individual investors, and some have a lot of banking experience. There is no one single investor making decisions, no majority owner. The bank’s management will be playing a larger role in the decision making process. Discussion followed
  - Bob thought there could be agreements between the investors; this could be a good thing for College Savings Bank
  - Dan said that he has heard that taking the bank public could be a longer term goal
- Dan then discussed the bank’s Board of Directors and how it was expanded to nine members. The only requirement is an equal number of independent directors. Gill Johnson reports to the board, as he is the Chairman
  - Bob clarified that shareholders only get to vote on structural issues and directors; whereas the board is responsible for the actions of the bank
  - Dan thought that this will create a stronger drive for success
- Jon asked if the Commissioner’s Office has reviewed this information
  - Bruce said, superficially with only one concern about the vested interest in our definition of College Savings Bank; can we strengthen our ability to ensure its continuation
- Bob stated that Amy Berry had asked for some language to be added, in order to void the contract if there is any change to management
  - Amy Berry said that it was decided to recruit Mary Ann Busse for her services to make sure that we are protected in moving forward with sole sourcing with College Savings Bank
  - Jon thought that it wouldn’t be a bad idea to have Cathy Swift also review it, to guarantee that Montana is protected
- Bob asked if the sale was conducted as a private placement, or if the SEC reviewed the transaction
Dan does not believe that the case was reviewed by the SEC, but plans to discuss it more at the upcoming board meeting

- Bob then asked about the successfulness of the investors. Bruce further explained that there could be concerns with potential plans that may bring risk to our program. Bob said he felt most comfortable conducting dialogue through the Board of Directors, as they make the decisions; but agreed that we need adequate protection in place that would allow us to negotiate in potentially undesirable situations
  - Amy Berry has been discussing this with Mary Ann
  - Bob thought that we should tell her, as a group, our thoughts and concerns
    - Jon agreed and added that we need to understand the structure and see how we are protected
    - Bob advised everyone to write, in plain language, any concerns and have the legal department look it over

6. **RFP and Sole Source Update:**
   - Amy Berry then discussed the approval for sole source and getting Mary Ann taken care of. Discussion followed
     - Bob asked if any Board actions were needed
       - Amy Berry said no

7. **Next Meeting:**
   - Jon thought it would be best to let the next meeting date be determined as needed
     - Dan will prepare a draft of the marketing plan and get it to Amy Berry along with any other information about the College Savings Bank investors
     - Amy Berry will add finalization of contract negotiations as an action item for the next meeting
       - Jon thanked everyone for attending and adjourned the meeting