

Montana Family Education Savings Program (MFESP)
December 16, 2010
GSL Conference Room 201C - Helena, MT
1:00 pm – 4:00 pm

In Attendance:

Board members in person: Jon Satre (Chair), Lynne Egan, John Driscoll, Todd Buchanan (on phone), Robert Minto (on phone), Gene Jarussi (on phone)

Public: Dan Davenport with CSB, Gil Johnson with CSB, Mary Anne Busse (on phone) with Great Disclosure

GSL/OCHE Staff: Bruce Marks, Robin Graham, Amy Berry, James Bisom, Mick Robinson

1. Welcome and Approval of minutes:

Jon Satre – Call to order and welcome to all

Bob Minto **Motioned:** to approve the minutes from the September meeting, John Driscoll seconded

Vote: all in favor, none-opposed.

Jon – Yes, Lynne – Yes, John – Yes, Todd – Yes, Robert – Yes, Gene - Yes

2. December Transfer Update:

A. Transfer

- The transfer is done.
 - At the start of the transfer \$110,000,000 was in the program, and CSB transferred \$103,000,000.
 - After total rollover loss less than 10%
 - Unfortunately tracking is not in place to show whether some of this loss was qualified withdrawals for this academic year
- At a Rotary meeting last week Bob was approached by a financial advisor, Joe Visno, who wanted to know what was going on with the 529 conversion.
 - The financial advisor called the number listed in the newsletter and the customer service representative informed Mr. Vinso that they didn't have any information regarding the conversation.
 - Bob gave Mr. Vinso's contact information; home (721-5910) and work (543-1213) phone numbers, and wanted someone from CSB to call Joe.
 - Dan said that CSB tracks all conversations, so Dan will look where Mr. Visno's call ended up at the bank and will make sure he returns Joe's call tomorrow.
 - Jon appreciates CSB being proactive about solving issues such as these.
- Lynne is getting overwhelmed with calls, mainly from financial advisors whose clients were part of the July transfer and therefore transferred into the CSB Savings Account, and mentioned she has been told there will be a possible lawsuit.
 - Dan said it was a very limited group that was put into savings account, and this was only because there was no other alternative at the time of the July transfer. They either had to put them in the savings account or suffer non-qualified withdrawal when Pacific Life liquidated the funds.
 - Todd said he is getting a lot of phone calls as well, and that CSB needs to figure out a way for financial advisors to become authorized on their client's accounts.
 - CSB has done some outreach to advisors, but the advisor information did not transfer along with the accounts to Vanguard because Pacific Life wouldn't provide that information.
 - Todd wanted to know if investors would receive dual statements from CSB and Upromise, or would they be merged.
 - Right now they are dual statements, but in the future they hope to have a merged statement from CSB and Upromise.
- Dan assured the council that there will be a point of contact at the bank that will take care of customers or advisors who call into the bank.

- The transfer took place last Saturday and Sunday, there were detailed timelines issued before the weekend of where the transfer should be each hour, and on Saturday at 1 pm the transition was past 8pm in terms of milestone accomplishments.
 - By Monday transfer in place, and balances were less than \$3 off and this was taken care of by Tuesday.
 - Amy is planning a public relations release in the near future.
 - New customers can enroll in the Investment Plan as of Tuesday, December 14, 2010.
 - Pacific Life mailed closing statements on Monday, December 13, 2010. Upromise was on schedule to mail the opening statements on Friday, December 17, 2010.

B. Communication

- Amy sent newsletter out last week in email to everyone, and everyone present at the meeting has a hard copy.
- Amy e-mailed the disclosure statement today as well, and thanked Mary Anne and Dan for working hard to get it completed.
- Dan and his team, along with Mary Anne, created a highlights brochure; it gives a quick overview of the program in order to make it as easy as possible to understand the program.
 - Anyone who request information on the Investment Plan will receive the highlights brochure.
- The Goal for next year is to completely integrate the Bank Plan and Investment Plan to have both components of the program combined into one single plan.
 - For regulatory reasons they were kept separate for now to ensure the transition was done by the December transfer date.

C. Further Integration

CSB's goal is to make sure the conversion process continues to be successful.

- The bank will make calls to follow up with consumers still in savings accounts, so they are aware of their options.
 - As part of the conversion and mapping process around 1,000 accounts were transferred into the CSB savings accounts.
 - They will let the consumers know they are out of the market and what other services are available to them.
 - Jon feels that telephone calls are very important to make CSB's products more personalized to the consumer.
- Next Steps (Power Point presentation put together by Mary Anne): update contract with CSB for program management services, work toward integration of recordkeeping process at CSB and UPromise, and Bank Plan and Investment Plan integration into one program for marketing purposes (slide 3).
- Next Steps (Continued): consider legislative and administrative updates: Legislative- third party contributions and distributions, Policies and procedure manual – distributions, transfer of account ownership, and general clean up (slide 4).
- Next Steps (Continued): prepare for and implement the expansion of MFESP investment options – age based options with mutual fund from Vanguard.
- The following is a suggested timetable for the events just discussed:

Event	Date
Amended Contract with CSB	Current
Call Outs and Monitoring by CSB	Current and Ongoing
Integration of Bank Plan and Investment Plan	Late Spring 2011
Addition of Age-based Investment Options	Summer - Fall 2011

- Gene said on slide 2 it says the CSB is going to monitor account satisfaction.
 - What is the approach to make sure customers are happy?

- There are two approaches to make sure customers are happy: proactively contact account holders, and do customer satisfaction surveys, and customers are made aware of online survey in annual report that goes out to consumers.

3. College Savings Bank Update

A. Status Report

Dan didn't come with updated numbers because he has not been at the bank in a week and a half.

- Montana is having its best year in 8 or 9 years in terms of deposits.
- Pacific Life is showing no interest in selling CSB, and they don't see a change coming anytime soon.

B. Marketing Efforts

- Generally speaking year end is a big time to market the program due to tax incentives if you put money into a 529 plan.
- CSB has found that communication platform that begins in early November is the best time to get information to Montana's consumers. Deliberately delayed communication until late November due to the transition

4. Informational Item: College Savings Bank CD Updates

A. InvestorSure CD

Based on the market and the current interest rates, CSB needs to look at changing the products they offer.

- The minimum participation rate of 85% can no longer be met for CSB to remain operational.
 - They either need to eliminate the product or reduce the participation rate.
 - Jon would like to see more information on why they can't continue to offer the product at the original 85%.
 - Dan explained that the interest rates are different now than when the conversation first started, and interest rates need to be set to reflect current interest rates.
- Bob wanted to know if this change would affect CD's that already exist or just future CD's that are purchased.
 - The change to a lower participation rate will only be for new CD's issued moving forward.
- Lynn was concerned because in the original document the participation rate was listed at 100% and the final document that rate had dropped to 85%, and now it's going to be lowered again.
 - Jon finds it a little troublesome because if it's at 70% now and CSB show no evidence as to how they arrived at that percentage will it decrease to 60% or 50% in the future.
 - Dan stated that 70% is just a floor, and the rate could increase as the market adjusts and changes. Everything is based on the market condition, and the bank will stay competitive with the market or they can't compete within the market.
 - Jon wasn't convinced this is a good idea, and would still like to see something more concrete as to how they arrived at the designated participation rate.

B. CollegeSure CD

One of the main components of this product was a 2% floor rate, which is unheard of to have this floor in the market today.

- CSB is eliminating the 2% floor immediately.
 - This will only affect new CD's that they issue, not any of the existing CD's already purchased by customers.
- The previous minimum amount to purchase this CD was \$250 and the bank accepted ACH payments at \$50 and \$100, this amount has been dropped to \$25.
- The bank used to have a sliding scale on early withdrawal penalties around 10%, that percentage is decreasing to 5% and in the final year of the CD that penalty will only be 1%.
- One of the good things about CSB is that they are in the business of selling CD's and they need to remain competitive, so as rates go up they will remain competitive in comparison with the rest of the market

5. Board of Regents Item and Legislature Updates

Eventually legislation will come about, and the BOR will be approached with policy changes.

- Bill LC736 talks about combining SLAC, GSAC, and MFESP councils.
 - Should this committee be left as is?
 - Mary Anne said anytime there is a merger of focus for 529 oversight committees it tends to not go very well.
 - Jon asked Amy to keep everyone informed, and if it gets to the point where it goes to hearing, then it would be appropriate to have members of this board at the hearing to explain why it is important to keep this board separate.
- Bill LC0999 does not have any additional information at this time, but it's title suggests a general revision of the tax deductions for the state college savings plan
 - Lynne mentioned she had heard there was a bill regarding tax parity proposed by the financial advisors
- Roger McGlenn is a full time lobbyist for Bob's company, and this council can use Mr. McGlenn to lobby on its behalf.

6. Next Meeting

- Jon said this committee had talked in the past about having someone from revenue come in and explain the tax advantages association with the program, and thinks it would be a good idea to still have someone come in.
- When would be a good time to meet again?
 - Mid-March would probably work best because the legislative session would be over by then.

Meeting Adjourned 3:02 p.m.