

Montana Family Education Savings Program (MFESP)
September 29, 2010
GSL Conference Room 201C - Helena, MT
1:00 pm – 3:00 pm

In Attendance:

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

Public: Dan Davenport (on phone) with CSB, Mary Anne Busse (on phone) with Great Disclosure, Peter Angus (on phone) with Upromise

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

1. Welcome and Approval of minutes:

Jon Satre – Call to order and welcome to all

Bob Minto **Motioned:** to approve the minutes from the April meeting, Paul Christofferson seconded.

Vote: all in favor, none-opposed.

2. College Savings Bank Update:

A. Status Report

- Through August 2010 currently on pace to have best year since the program began.
 - Accepted \$20 million in deposits
 - \$9-10 million from Montana residents, and is a result of marketing efforts.
- Jon asked Dan if there is a product that customers tend to prefer.
 - Dan said they are seeing almost a 33% split on the three CD's that CSB offers
- Making sure that the customer service side of things goes well, and communication with investors is done in a timely matter is of great importance.
 - Have had no less than four communications with account holders since April (2 sent by Amy, 2 sent by Pacific Life).
- Since the April meeting through September 27, 2010 the asset decline on accounts is less than 4%.
 - The 4% doesn't mean account holders transfer funds to a different 529 plan, they could have simply withdrawn their funds as well.

B. July Transfer

- The transfer took place on July 5, 2010.
 - Transferred 572 accounts totaling around \$5.4 million. Still holding on to 530 of these accounts with a value of around \$5 million.
 - Have not received much negative feedback from the account holders, and assets are not depleting as a result of the transfer.

3. October Transfer Date

The October 29, 2010 transfer date has been moved back to December 11, 2010.

- Peter (Upromise) said they ran into quite a few challenges with Pacific Life and how they structure their data, which Upromise had never been exposed to.
 - It is important to Upromise for the conversion to have very little fall out or error.
 - There are more complexities with the entire transfer process than first thought.
- Todd was concerned with public feedback about the time the transition has already taken, and now with extending the transfer date even longer there are going to be some unsatisfied investors, and what can we do to push for a quicker timeline.
 - Montana's plan differs from other state plans in the sense that there are two entities under the same umbrella: CSB and Upromise.
 - CSB is the expert on the banking side of things, and Upromise is the expert in the equities market.

- To ensure the whole program didn't run into regulation concerns it was decided this was the best option.
- The risk items involved with the transfer and what is still unknown make the target transfer date of October 29, 2010 unfeasible.
- Peter feels that at the end of the day the best interest of the investors has to be kept in mind, and they deserve a safe and smooth transition that moves them into good high quality products.
- Bruce asked two questions of Peter: #1 – The state learned of the new delay 8 days ago, describe how that decision was arrived at? #2 – Montana is a relatively small plan, can you (Peter) give us some assurance the transition is still of high priority to Upromise and will not be delayed again.
 - Peter's response to question #1: They were very naïve about how complex the transition was going to be; Upromise is not an expert in banking products and with regulatory complications they started feeling like a "duck out of water". The risk involved with pushing an October date was too great, and not in the best benefit for the State of Montana.
 - Peter's Response to question #2: Upromise runs a \$30 million plan in Hawaii and they run that plan the same way they run a \$2 billion plan. Every senior level employee is helping to get this transition done by December. Upromise's integrity as a company depends on it, and in terms of the level of commitment it is significant.
- Gene asked Peter if they felt they were on track to overcome data challenges to ensure the numbers are analyzed correctly.
 - Peter responded by stating that the communication and learning gap is significantly greater than the gap in the data. Upromise has a tremendous amount skill and experience on the data side of things, and he has never seen his company not be able to overcome any hurdle for the correct way to convert data.
- College Savings Bank, Upromise, and Pacific Life are having daily conference calls to address issue as they arise.
 - They have a very clear set of guidelines to make sure the data conversion is done correctly and the participants know what is going on.
- What are the costs associated with the extension of the deadline and who gets the bill?
 - Upromise is taking on the expense, not the state. Upromise is funded through assets under management fees, so Upromise will not make any money until the assets come on board.
- Consumers still in Pacific Life Funds will not be transferred out until the transfer date in December, so only 572 consumers are not in the market right now (from the July transfer).
 - Mary Anne is very comfortable with the path the transfer is heading.
 - Next communication with consumers will not go out until everyone is comfortable with December transfer date.
 - Current Pacific Life Fund consumers can continue to contribute up until the transfer date.

4. Discussion of MFESP's Future Goals and Path

- Right now the main focus will be on December 11, 2010 making sure the transfer is completed.
 - Once the transfer is complete Montana's 529 plan will be unique, and no one else will have a plan like Montana.
 - Bob Minto felt it is important to broaden the role of customer service as it pertains to the 529 plan, and with the use of electronic communication they can have a great deal of correspondence with investors to give them an enhanced degree of involvement with the plan compared to every other plan in the country.
 - In terms of looking at the plan in the future it is important to look at both aspects of the plan and position them to be more integrated into one plan, not just from the public eye but the administrative eye as well.
- The committee was urged to start thinking about continued improvements moving forward.
 - One idea that came up was a website with a quarterly newsletter, so consumers can have a sense that they have the ability to learn about these programs and it would give them a sense of security.

5. Next Meeting

- Jon didn't see a real need to meet again before the transition is complete, but a meeting will be order once the transition is complete and before the legislature meets.
 - Next meeting late December – early January.

Adjourned 2:47 pm