

ITEM 147-114-R0510
MFESP Asset Transfer

THAT

The Board of Regents instructs Pacific Life to transfer the remaining Montana Family Education Savings Program accounts held by Pacific Life to the designated Vanguard funds and College Savings Bank Savings Account.

EXPLANATION

On December 18, 2009, Pacific Life gave the Montana Family Education Savings Program (MFESP) formal notification of its intention to not seek renewal come May of 2011. Pacific Life also notified the MFESP that the assets held by Pacific Life must be removed from Pacific Life prior to the expiration of the current contract. In January of 2010, the Board of Regents approved the addition of Vanguard as a new equity provider. The MFESP, working with its program manager (the College Savings Bank), plans to move the assets currently invested with Pacific Life in September of 2010.

There are roughly \$126 million in total investments remaining in the MFESP with Pacific Life. The MFESP and MFESP oversight committee recommend to the Board to move these remaining funds to the designated Vanguard funds as specified in the supporting material, with the following exception:

Pacific Life Portfolio Optimization Fund Conservative: The Oversight Committee originally recommended moving these funds into the Vanguard Lifestrategy Conservative Growth Fund. However, the MFESP now recommends, with the consent and support of the MFESP oversight committee, that the Pacific Life Portfolio Optimization Conservative Fund instead map to the College Savings Bank savings account. Initially the MFESP's 529 consultant, Mary Anne Busse, recommended the Pacific Life Portfolio Optimization Conservative Fund map to College Savings Bank Certificate of Deposit products. Certificates of Deposit, however, have fees and restrictions. Those fees and restrictions could not be waived, so Mary Anne next suggested those investments map entirely to the Vanguard LifeStrategy Conservative Growth Fund. Since that decision, the oversight committee, the MFESP, Mary Anne Busse and College Savings Bank have worked together to create a short-term, super savings account that has no fees or restrictions. The MFESP was not comfortable recommending an investment product more risky than the original investment (there have been lawsuits in other states stemming from similar issues) Therefore, we recommend the Pacific Life Portfolio Optimization Conservative Fund investments go to the College Savings Bank 'super' Savings Account. Currently the Savings Account is paying 25 basis points. The MFESP will subsidize an additional 75 basis points for 120 days from the date of the transfer. College Savings Bank will actively contact these investors with a goal of having the investor choose a permanent investment vehicle. Please refer to the supporting material.

It is also our recommendation that the 13 individual funds, previously approved by the Board of Regents to be transferred to the College Savings Bank Savings Account on or around July 6, 2010, also be moved in September to the appropriate Vanguard funds or remain in the College Savings Bank savings account per the supporting material.

However, the MFESP recommends that the Pacific Life Inflation Managed Fund remain in the College Savings Bank savings account. At the time of the MFESP oversight committee meeting, this fund was mapped to a

College Savings Bank CD product with all penalties waived. As College Savings Bank will not be able to waive these fees, it is the recommendation of the MFESP that this Fund remain in the savings account.

ATTACHMENTS

Proposed Asset Transfer Mapping Materials