

May 22-23, 2014

ITEM 163-102-R0514

Approval of Changes to the Montana Family Education Savings Program Manager

THAT

The Board of Regents of Higher Education, on the recommendation of the Montana Family Education Savings Program (“MFESP”) Oversight Committee (“OSC”), hereby ratifies the February 3, 2014 termination for cause of the program manager agreement with College Savings Bank (“CSB”), authorizes the commissioner of higher education to negotiate and execute a transition agreement with CSB, and authorizes the commissioner of higher education to enter into and to conclude contract negotiations with Upromise Investment Advisors, LLC and Upromise Investments, Inc. (together Upromise) for the purpose of securing the services of Upromise as program manager for the MFESP.

EXPLANATION

CSB has served as the program manager for the MFESP since its inception in 1998. In anticipation of the contract expiration set to occur on June 30, 2013, the MFESP OSC determined that it would be in the best interest of the MFESP to pursue a sole source contract with CSB that would allow it to continue as program manager. Since that time, the MFESP staff has been negotiating in good faith with CSB to enter into a new contract. On January 28, 2014, after more than a year of such negotiations and before any agreement had been reached, CSB indicated it wanted to cease negotiations and no longer wanted to serve as the program manager for the MFESP. It stated its intent to let the extension contract then governing its role as program manager expire by its terms on February 28, 2014. Based on this action and other concerns with CSB’s performance, the commissioner of higher education terminated the contract with CSB for cause on recommendation of the MFESP OSC. The MFESP OSC believes that it was in the best interest of the program to terminate the contract for cause with CSB, and recommends that the Board of Regents ratify the termination and authorize the commissioner of higher education to negotiate and execute a transition agreement with CSB.

Subsequent to the termination for cause, the MFESP OSC directed the MFESP staff to compile and review all possible options for a replacement program manager. The MFESP staff, with the assistance of Great Disclosure, LLC, the MFESP’s 529 Consultant, concluded that Upromise, the current recordkeeper to the MFESP Investment Plan, provided the best option for both the MFESP participants and the future of the MFESP. Upromise is interested in becoming the program manager, and has presented a proposal that is viewed by the MFESP staff and OSC as very beneficial to the program. The MFESP OSC and staff are enthusiastic about this new partnership and recommend that the Board of Regents authorize the commissioner of higher education to enter into and conclude contract negotiations with Upromise with the goal of securing its services as program manager of the MFESP.

ATTACHMENT

Attachment #1: Upromise Program Manager Proposal