

**ITEM 146-106-R0110 Revision of the Montana Family Education Savings Plan**

**THAT:** The Board of Regents of Higher Education hereby authorizes the addition of new investment options to the Montana Family Education Savings Program (MFESP) and further authorizes the commissioner of higher education to extend its contract with College Savings Bank through May 31, 2013, in accordance with this item, the recommendations of the Montana Family Education Savings Plan oversight committee (oversight committee), and the best interests of the program.

**EXPLANATION:** The MFESP has two basic investment types: certificates of deposits offered by College Savings Bank (College Savings Bank is also the MFESP program manager) and mutual funds offered by Pacific Life. Earlier this year, Pacific Life informally notified the MFESP of its intention to not seek renewal of its participation agreement when that agreement expires in May of 2011. As a result of that informal notification, the oversight committee and program manager have been exploring replacement options for MFESP participants wishing to invest in mutual funds. The Vanguard Group, Inc. (hereafter referred to as Vanguard), has been identified as a possible replacement option.

On December 18, 2009, Pacific Life gave the MFESP formal notification of its intention to not seek renewal come May of 2011. Pacific Life also notified the MFESP of its intention to communicate its decision to Pacific Life broker/dealers the week of December 28<sup>th</sup>, 2009, and to notify plan investors in early January, 2010. This timeline reflects Pacific Life's obligation to meet certain regulatory notification requirements.

The oversight committee will meet January 13, 2010, and will make recommendations to the Board of Regents for the Board's required approval of some or all of the Vanguard products described in more detail in the attachments. The oversight committee will also consider, and may recommend, extending the MFESP contract with College Savings Bank through May 31, 2013.

The MFESP and oversight committee:

- Believe this move is in the best interest of the program and the investors it serves;
- Have negotiated with Pacific Life that any contingent deferred sales charges will be waived for investors who move to Vanguard; and

- Have secured a pledge from Pacific Life to work with the MFESP for a smooth transition.

**ATTACHMENTS:** Proposed Vanguard Options