ITEM 146-114-C0310 Approval Of Initial Asset Transfer To College Savings Bank

THAT The Board of Regents instructs Pacific Life to transfer the

approximately 1,000 accounts totaling about \$9 million currently held by Pacific Life in 13 various individual equity funds into the 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 November of 2010.

There are roughly \$133 million in total Pacific Life MFESP investments. Of that \$133 million, roughly \$124 million are invested in Pacific Life fund-of-fund equity products. The balance of about \$9 million is invested in 13 individual funds that were available to MFESP participants prior to 2005. Last month, Pacific Life notified the MFESP that the \$9 million held in the 13 individual equity funds had to be liquidated by July of 2010. The timing of this liquidation is not negotiable and if the investments are not moved by July of 2010, Pacific Life will return the money to investors as non-qualified withdrawals.

The MFESP and MFESP oversight committee would ideally recommend to the Board to move this \$9 million directly to Vanguard. Vanguard, however, is not ready to begin accepting deposits. Vanguard will be ready in November, though, to accept the bulk of the Pacific Life investments.

The MFESP and oversight committee, therefore, recommends to the Board of Regents, as trustee of the MFESP, that the Board directs Pacific Life to transfer these assets to the College Savings Bank savings account, a qualified investment choice within the Montana College Savings Plan.

ATTACHMENTS memo to regents and commissioner