2004 Annual Program Review of the Missouri Higher Education Savings Program

Presented September 2005

Executive Summary
2004 Annual MO$T Program Review

Section 166.450, RSMo requires an annual review of the Missouri Higher Education Savings Program (or "MO$T") by the director of investments of the state treasurer's office and the reporting of findings to the MO$T Board. The statute requires a review of five areas: board administration, investment policy, financial status, participation rate and continued viability. Therefore, in accordance with these requirements, please find the attached report for calendar year 2004.

In the report, for each area covered there is a brief summary of developments in 2004, an analysis of these developments and findings. Listed below is a summary of these findings and trends for the MO$T Program.

Positive Trends

- TIAA-CREF remains a low-cost program when one considers the "all-in" costs of other state programs including underlying mutual fund expenses. TIAA-CREF's passive index funds remain very low cost funds that track closely to their benchmarks.
- The asset allocation plan for the managed allocation option, which the majority of MO$T account owners invest in, provides for a prudent diversification of funds.

Negative Trends

- As a whole, TIAA-CREF's actively managed funds continue to perform weakly and trail returns for their benchmarks.
- The relatively few investment options provided in the MO$T program, especially in light of other states that have added options over the last five years, may put it at a competitive disadvantage. This may also partially explain why several other bordering Midwestern states have a higher penetration rate than Missouri.

Neutral

- Although new accounts seem to have experienced a plateau in 2004, the MO$T Program's penetration rate continues to be near the median of states. Growth in assets in the MO$T program also tracks closely to national trends. However, Missouri lags behind several states in its peer group.
- Growth in the Advisor series is increasing gradually, but this remains an area of potential for the State. TIAA-CREF's recent success in adding several large brokerages to the MO$T Advisor program is an important development for the plan.

OFFICE OF THE MISSOURI STATE TREASURER
SARAH STEELMAN, TREASURER

Date: July 28, 2005

To: Board Members of the Missouri Higher Education Savings Program

From: Mark Mathers
Director of Investments, Missouri State Treasurer's Office

RE: 2004 ANNUAL PROGRAM REVIEW

Section 166.450, RSMo requires an annual review of the Missouri Higher Education Savings Program (or "MO$T") by the director of investments of the state treasurer's office and the reporting of findings to the MO$T Board. The statute requires a review of five areas: board administration, investment policy, financial status, participation rate and continued viability. Therefore, in accordance with these requirements, I am pleased to present the following findings from my review for calendar year 2004. When possible, I have attempted to use comparative data on other states' plans available from the College Savings Plan Network (CSPN) to supplement my analysis of TIAA-CREF's quarterly reports. I am available to discuss these findings at your convenience.

Board Administration

In 2004, the MO$T program administrator was the Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF). The program administrator managed the day-to-day operations of the MO$T program and made policy recommendations to the Missouri Higher Education Savings Program Board (the "Board"). The Board and its working group worked closely with the administrator and monitored the administrator's management of the program. The Board met quarterly during 2004, as required by law.

Investment Policy

The Missouri Higher Education Savings Program does not retain a separate investment policy governing MO$T investments. The establishment of investment options and asset allocation changes are set by the Board based on recommendations of TIAA-CREF. The asset allocations approved by the Board thus serve as the *de facto* investment policy for the program. Therefore, I have included my review of the MO$T program's asset allocation under this section.

Asset Allocation Changes

In 2004, TIAA-CREF continued to offer three investment options to participants: 100% equity, an age-based managed allocation, and a guaranteed option. Each year, the program administrator performs an extensive asset allocation study, which the Board utilizes to adopt an asset allocation policy for the MO$T program. Any change in asset allocations is expected to reduce participant risk and/or maximize participant returns.

For its managed allocation option, TIAA-CREF recommended reducing the number of age-based bands from ten to six in 2004. There were no changes proposed to the lineup of underlying mutual funds used for the managed allocation option but there were relatively minor adjustments to the percentage exposure for certain funds, as summarized below:

- For ages 2-3, 6-11 and 14, the Managed Allocation option increased its exposure to equities funds by 5-10% and decreased its overall exposure to bonds by a corresponding amount, by reducing the allocation to the Bond fund and/or Inflation Linked Bonds.
- For ages 15 and over, there were allocation changes made between the three fixed-income funds, the Bond fund, Inflation Linked Bonds and Money Market fund.

These adjustments were partially a function of the changes in age bands that were approved by the Board.

For the 100% Equity option, there were no changes made. The yield on the guaranteed option was 3.00% during 2004, a very competitive rate given that one-year Treasury yields, which serve as the benchmark for this option, averaged 1.89% during the year.

Findings:

1. The diversification of mutual funds for the Managed Allocation and 100% equity options is appropriate.

2. With the addition of the Advisor series in 2004 and the new Certificate of Deposit program authorized in 2004, the Board may wish to consider adopting a separate, stand-alone investment policy for the MO$T program in the future. The advantage of a separate investment policy is that it would allow the Board to publicly articulate its policies, performance standards and benchmarks in order to set consistent guidelines for all of these programs. An investment policy potentially also could include areas such as definition of the roles and responsibilities of staff and program administrators, operating performance standards and due diligence requirements.

Financial Status

Financial Status of TIAA-CREF

A review of TIAA-CREF's creditworthiness is appropriate for two primary reasons. First, as the MO$T program administrator, any credit issues involving TIAA-CREF exposes MO$T to both operational and reputational risk. Secondly, a review of the credit quality of TIAA is necessary because MO$T's Guaranteed Option relies on an unsecured funding agreement with TIAA-CREF Life, a subsidiary of TIAA.

CREF is a membership corporation registered with the SEC as an investment company. Its companion organization, TIAA, is a non-profit stock life insurance company. TIAA-CREF represents one of the world's largest private pension systems, based on total assets under management of $344 billion at December 31, 2004.

Audited financial statements for TIAA-CREF were not available for review at the time this report was prepared. However, TIAA-CREF's annual report notes that total assets under management increased 10% in 2004 and that income before taxes and net realized capital gains and losses increased 29%. Additionally, all three major rating agencies have assigned a long-term rating of "AAA", the highest possible rating, to TIAA-CREF. During 2004, Moody's Investors Service, Fitch Ratings and Standard and Poor's all affirmed a stable outlook for the firm. In affirming the "AAA" financial strength rating and long-term issuer rating of TIAA, Fitch cited the firm's "dominant market share in its core business of qualified individual retirement annuities" and the "organization's continued solid operating performance …, strong balance sheet and capital position".

In its most recent ratings report, Moody's has noted the organization's "strong capital base". Other strengths noted by Moody's include the company's "dominant position in the higher-education pension market…expense advantages and its unique liability structure". This last comment refers to the fact that more than 80% of TIAA's liabilities are not subject to discretionary withdrawal, providing for more predictable cash flows and thus a low cost structure. Moody's has noted that the IRS has proposed substantial adjustments to TIAA's federal income tax returns for 1998 and 1999 but does not feel that this is likely to alter TIAA's financial strength rating.

Significantly, TIAA-CREF has not been involved in the mutual fund scandals relating to late trading that has enveloped many Wall Street firms and other investment brokers.[1] In December 2004, however, the Securities and Exchange Commission began an inquiry into the relationship between two fund trustees and TIAA-CREF's auditor, Ernst and Young. Ernst reported that it had invested in a business owned by the trustees, who resigned in December. A report prepared by former US Attorney General Nicholas Katzenbach was critical of CEO Herb Allison and other managers for not quickly informing the full oversight board of the situation.

Findings: TIAA-CREF remains a strong franchise with a very strong balance sheet. In late 2002, Herb Allison, formerly president of Merrill Lynch, was appointed CEO of TIAA-CREF. Coming

[1] In May 2005, Chief Financial Officer Elizabeth Monrad took an unpaid leave of absence after receiving notice of an investigation by the SEC related to certain transactions she may have been involved in while previously employed at General Re Corporation. There is no investigation of transactions involving TIAA-CREF.

from a private, more retail-oriented environment, Mr. Allison has made several important changes to the organization, but TIAA-CREF has indicated that it remains committed to supporting its institutional base of customers. The company's "AAA" rating and its avoidance in any of the mutual fund scandals that have rocked the industry help to mitigate any operational or reputational risks to MO$T.

Fund Performance

For participants of the MO$T program who select either the Managed Allocation Option or 100% Equity Option, TIAA-CREF allocates contributions, along with any return on those contributions, among a combination of TIAA-CREF mutual funds. The allocation guidelines for the Managed Allocation Option are set using certain age bands which are based on the beneficiary's year of birth. As beneficiaries age, they move from one age band to the next. The allocations among TIAA-CREF mutual funds are different for each age band – the younger the beneficiary, the more contributions are weighted towards equities and real estate. As beneficiaries age, an increasing percentage of funds are allocated to bond and money-market investments. The allocations of the 100% Equity Option do not change based on the age of beneficiaries, but the allocations may be modified periodically by the Board based on market conditions or other considerations.

TIAA-CREF states that their Growth Equity Fund, Growth and Income Fund and International Equity Fund are actively managed and use a "Dual Investment Management Strategy", which seeks to "achieve higher returns over each Fund's benchmark index, while attempting to maintain a risk profile for each Fund similar to its benchmark index.". Essentially, this is an enhanced return approach where the investment manager seeks to add alpha over a passively managed index fund. The Real Estate Securities Fund, Bond Fund and Inflation-Linked Bond Fund are also actively managed with the two bond funds seeking to maintain a duration similar to their benchmark. Conversely, the TIAA-CREF Institutional Large Cap Value Index Fund, Institutional Small Cap Blend Index Fund and Institutional Equity Index Fund are passive index-based funds which seek to replicate the Russell 1000 Value Index, Russell 2000 Index and Russell 3000 Index respectively.

The monitoring of these mutual funds is a critical component in protecting participants' interests and achieving the MO$T program's long-term investment goals. Such a review may include both quantitative and qualitative factors (e.g., compliance with investment guidelines, stability of fund personnel, review of the fund's strategy and style, etc.). Quarterly, TIAA-CREF presents the total returns of its funds and compares these to recommended benchmarks.

The following table summarizes the performance of the TIAA-CREF funds for each of the last four quarters and then provides average return information for the last year and since inception.

Historical TIAA-CREF Mutual Fund Returns

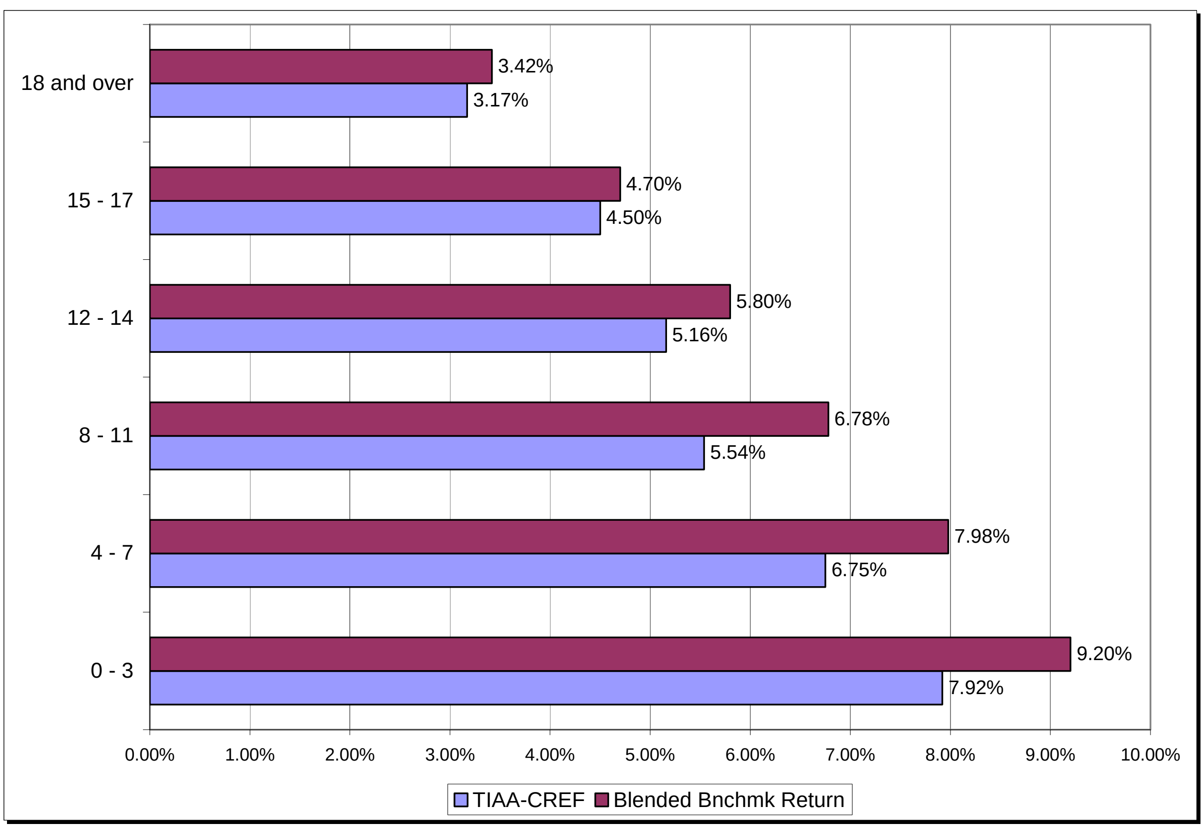
Fund	2004-Q1	2004-Q2	2004-Q3	2004-Q4	1-year Return	Since Inception	
	Total Returns						
Growth Equity							
TIAA-CREF Returns	1.39	0.92	-4.54	9.21	6.67	(6.94)	
RUSSELL 1000 GROWTH INDX	0.54	1.68	-5.47	9.17	6.30	(6.01)	*
Variance	0.85	**-0.76**	0.93	0.04	0.37	**(0.93)**	
Growth & Income							
TIAA-CREF Returns	1.71	1.10	-2.37	9.37	9.80	(1.44)	
S&P 500 INDEX	1.69	1.72	-1.87	9.23	10.88	(0.75)	
Variance	0.02	**-0.62**	**-0.49**	0.14	**-1.08**	**(0.69)**	
Equity Index							
TIAA-CREF Returns	2.18	1.35	-1.88	10.04	11.81	0.46	
RUSSELL 3000 INDEX	2.23	1.33	-1.90	10.16	11.95	0.60	
Variance	**-0.05**	0.02	0.02	**-0.12**	**-0.15**	**(0.14)**	
Lg Cap Value Index Fund							
TIAA-CREF Returns	2.99	0.78	1.56	10.32	16.29	22.85	
RUSSELL 1000 VALUE INDEX	2.44	0.29	0.92	10.38	16.49	23.07	*
Variance	0.55	0.50	0.63	**-0.06**	**-0.20**	**(0.22)**	
Sm Cap Blend Index Fund							
TIAA-CREF Returns	6.22	0.41	-2.78	13.99	18.19	31.75	
RUSSELL 2000 INDEX	6.27	0.50	-2.86	14.16	18.44	32.00	
Variance	**-0.05**	**-0.09**	0.07	**-0.18**	**-0.24**	**(0.25)**	
International Equity							
TIAA-CREF Returns	5.02	0.38	-2.09	14.19	17.85	2.89	
MSCI EAFE	4.44	0.44	-0.19	15.37	20.79	1.27	
Variance	0.58	**-0.06**	**-1.91**	**-1.18**	**-2.93**	1.62	
Real Estate Securities Fund							
TIAA-CREF Returns	11.89	-6.12	8.17	17.20	33.17	37.95	
Wilshire Real Estate Securitie	N/A	-5.84	6.93	16.46	34.81	35.94	*
Variance		**-0.27**	1.24	0.74	**-1.64**	2.01	
Bond Fund							
TIAA-CREF Returns	-2.31	-2.31	3.07	0.93	4.29	7.43	
LEHMAN AGG BOND INDEX	N/A	N/A	N/A	0.95	4.34	7.35	
Variance				**-0.02**	**-0.05**	0.08	
Inflation Linked Bond Fund							
TIAA-CREF Returns	-3.15	-3.15	3.81	2.50	8.27	8.07	
Citigroup US Inflation Linked	N/A	-3.10	3.72	2.57	8.40	8.51	*
Variance		**-0.05**	0.09	**-0.07**	**-0.13**	**(0.44)**	

* For some quarters, the price return is shown only, does not include reinvestment of dividends

Sources: TIAA-CREF, Bloomberg

In 2004, three of TIAA-CREF's actively managed funds—the Growth & Income Fund, International Equity Fund and Real Estate Securities Fund—significantly underperformed their respective benchmarks. While it is inappropriate to consider a 1-year period solely in evaluating a fund's performance, both the Growth & Income Fund and Growth Equity Fund have been weak performers for an extended period, so much so that a 2005 Morningstar article called them "huge disappointments". Morningstar has given both these funds only a 2-star rating out of 4. In September 2004, we also learned that the investment managers for the Growth & Income Fund had departed in February 2004 and that as of September, a replacement team had not been assembled. This follows the termination of the Growth Equity Fund's team in late 2002.

The performance of TIAA-CREF's underlying mutual funds flows through to the performance of both the Managed Allocation Option and 100% Equity Option since these two options are comprised of different combinations of these funds. A direct comparison of TIAA-CREF's returns for the Managed Allocation Option in 2004 is difficult to make, however, because of the compression in age bands that went into effect on April 1, 2004. TIAA-CREF does provide comparisons for the period from April 1, 2004 through December 31, 2004, however. Based on the returns of TIAA-CREF's underlying funds, the graph below compares the Managed Allocation program's overall returns during this 9-month period for each age group in 2004 against the return for the blended benchmark.



These returns include all relevant expenses, most notably TIAA-CREF's program management fee of 65 basis points (bp). Overall, participants in the Managed Allocation option saw net returns that were between 20 and 128 basis points below that of their representative blended benchmark during the last nine months of 2004. As shown in the chart above, participants in the 0-3 and 4-7 age groups suffered from the weakest performance due to their greater exposure to equity funds.

Overall, TIAA-CREF reported that the average blended return for the underlying institutional funds within the Managed Allocation option in 2004 was 13.03%. These are net returns that include the individual fund management fees of 8-20 bp but it does not include the additional program management expense for operation of the MO$T Program charged by TIAA-CREF to participants. The blended return of 13.03% compares to benchmark returns for the year of 13.83%.

Performance in the 100% Equity Option also trailed its blended benchmark in 2004. TIAA-CREF's return of 14.63% compared to benchmark returns of 16.22% (for a difference of 1.59%). This is attributable primarily to weaker performance in TIAA-CREF's active funds (the Growth & Income Fund, Real Estate Fund and International Equity fund), as shown below.

100% Equity Option Returns

Fund	Type	Allocation	TIAA-CREF Return	Bchmk Return	Over/ (Under)
Growth & Income	Active	24%	9.80%	10.88%	**-1.08%**
Equity Index	Passive	35%	11.80%	11.95%	**-0.15%**
Small Cap Blend	Passive	5%	18.19%	18.33%	**-0.14%**
Large Cap Value	Passive	6%	16.29%	16.49%	**-0.20%**
Real Estate	Active	10%	33.17%	34.81%	**-1.64%**
International Equity	Active	20%	17.85%	20.25%	**-2.40%**

Findings: During 2004, several of TIAA-CREF's actively managed funds underperformed their respective benchmarks for two consecutive quarters or more and produced annual returns that trailed their benchmark by 100 bp or more. Obviously, any long-term underperformance of funds has the potential to offset the cost advantage that MO$T holds over most other State 529 programs. The three actively managed funds which showed the weakest performance in 2004 comprised more than 40% of the equity exposure for the Managed Allocation Option and 54% of the 100% Equity Option's allocation.

While it is beyond the purview of this report to provide an in-depth analysis of each fund's performance, I would note the following:

- During 2004, the Growth & Income fund underperformed its benchmarks by 108 bp. This fund's average annual return for the last three years and since inception have also trailed that of its benchmarks. Fortunately, in 2005 the Growth & Income Fund was dropped from the lineup of funds in the MO$T Program.
- Although the list of active funds that underperformed their benchmarks in 2004 is somewhat different than in 2003, we continue to see in general continued underperformance among TIAA-CREF's actively managed funds. In 2004, underperforming funds were the International and

Real Estate Funds, which lagged their benchmarks by 240 bp and 164 bp respectively. Although the Growth Equity Fund's return exceeded its benchmark in 2004, the long-term results for this fund are also weak.

- Based on these performance issues for actively managed funds, the Board may wish to consider the exclusive use of passive, index-based funds and elimination of actively managed funds in the future for both the Managed Allocation and 100% Equity options.
- In the future, the Board may also wish to consider instituting criteria for placing funds on "watch" or "probationary" status or adopting other performance criteria.
- In contrast, TIAA-CREF's index-based funds (Institutional Large Cap Value Index Fund, Institutional Small Cap Blend Index Fund and Institutional Equity Index Fund) produced returns that trailed benchmark returns within a range of 15 to 24 basis points. Approximately 8 basis points can be attributed to fund expenses, but the remainder represents tracking error. The remaining variance is within reasonable ranges for institutional mutual funds.

Participation Rate

In this section, we examine the participation rate of the MO$T program. By examining the participation rate for the program, one can attempt to gauge the relative success that the state's program has had in reaching the state's residents and encouraging them to increase college savings—the original goal of the IRS section authorizing these programs. The relative success or failure of states' various 529 programs rests on many different factors including the effectiveness of marketing efforts, demographic and economic conditions, customer service, their cost structure, the structuring of various investment options to appeal to different segments and provide diversification, and lastly but not unimportantly competition from other states.

The landscape for 529 programs has changed greatly since 1996, when only 12 states offered a college savings program. Not only do all 50 states now offer a qualified 529 program, but the number of different programs and the different models and strategies used by states has expanded greatly as well. From 1999 to 2004, assets in 529 savings plans grew from $1 billion to nearly $65 billion. During this time, the industry has seen a number of changes including:

- A focus on in-state residents to now national portability
- The use by states of a single investment manager to multiple investment managers or funds
- The use by states of a single plan to multiple plans
- Increased use of brokers versus relying solely on program managers reaching investors directly
- Expansion in the products offered including guaranteed options, multiple age-based plans, menus of stand-alone mutual funds and CD's
- Consolidation in the industry and the exit of some firms
- Increased competition for assets across state lines

All of these factors present challenges to the marketing and success of states' plans. Additionally, measuring the participation rate for the MO$T program is not as straightforward as it would seem.

Demographic and economic differences between states, the use of pre-paid plans by some states, differences in counting the number of accounts and the strategies used by certain states to attract out-of-state residents all make it difficult to compare states' plans. Nevertheless, we have attempted to evaluate participation in the MO$T program by reviewing the following information:

- What have been the trends for asset growth and participation for the MOST program over time?
- How do these trends and the state's overall participation compare nationally?
- How does the state's participation rate compare to similar states? Here, we selected a peer group of Midwestern states.

Participation in the MO$T Program

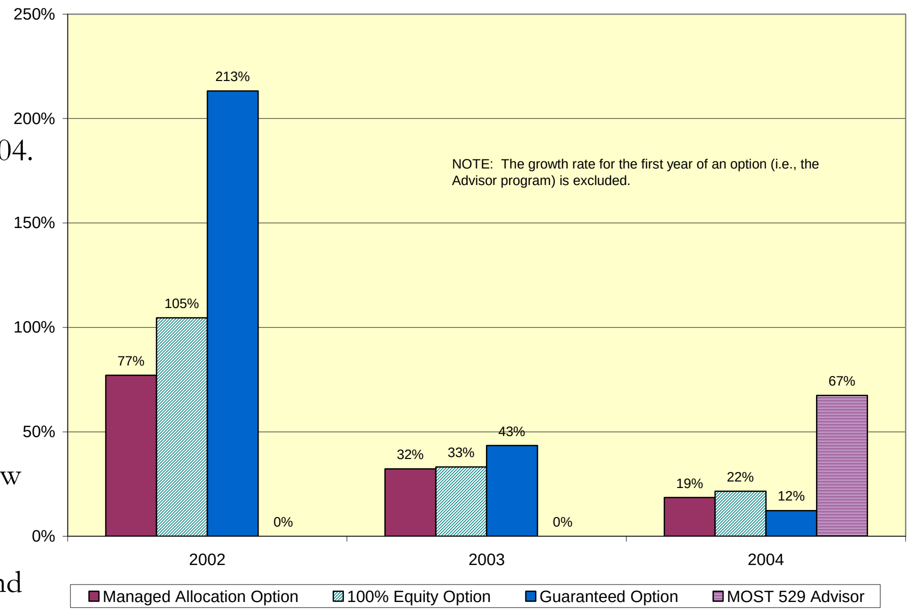
The growth rate of participation in the MO$T program continues to be moderately strong but is starting to plateau. The total number of accounts in the program increased 21% from 69,878 accounts at the end of calendar year 2003 to 84,394 by the end of 2004. The following chart shows the number of accounts by account type over the last five calendar years. The increase of accounts in 2004 of 14,516 is below that of both CY 2003 (20,606 new accounts) and CY 2002 (24,765). So, whether you measure the number of new accounts in absolute terms or by a percentage growth rate, 2004's results indicate a certain leveling off in the number of new accounts established.

Growth in Accounts by Account Type

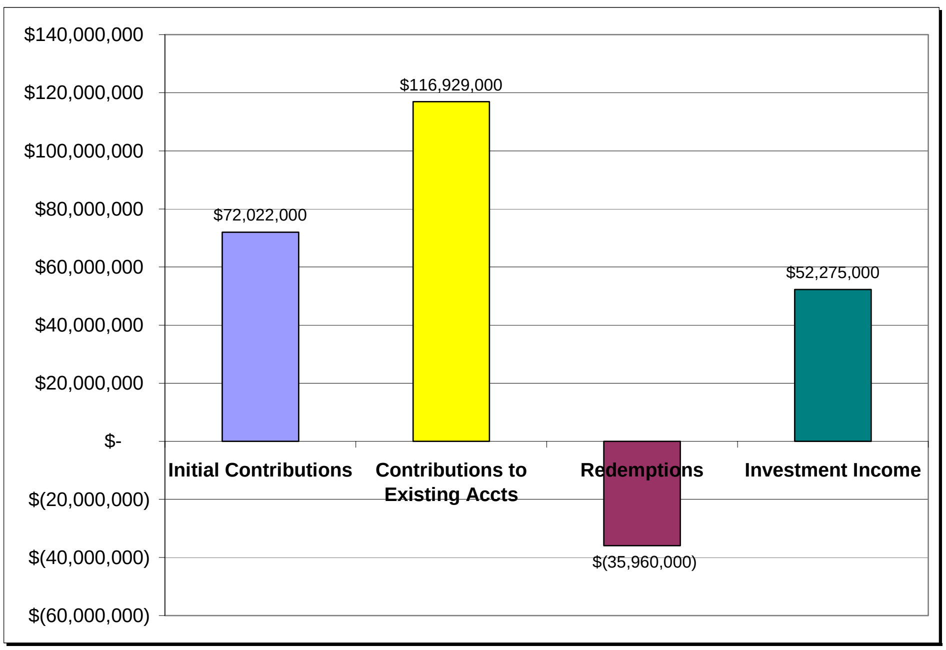
Program Type	2000	2001	2002	2003	2004
Managed Allocation Option	8,221	16,045	28,408	37,571	44,540
100% Equity Option	1,009	5,482	11,217	14,934	18,152
Guaranteed Option	1,019	2,980	9,333	13,388	15,032
MOST 529 Advisor			314	3,985	6,670
Total	**10,249**	**24,507**	**49,272**	**69,878**	**84,394**
Pct. Increase		139%	101%	42%	21%

Two external factors may serve to partly explain the decline in the growth rate for new accounts. For most of 2004, stock market valuations were flat or actually declining, and there seemed to be a great deal of angst in the markets and general population about both economic conditions and a Federal Reserve which was intent on raising interest rates. Additionally, economic conditions in the state for most of 2004 were somewhat anemic, as the unemployment rate rose from 5.4% in January to a peak of 5.9% in the fall. These two factors may have cooled potential new participants' interest in putting their discretionary income in a long-term investment such as a college savings program.

As noted in the chart to the right, participation rates in the MO$T 529 Advisor series rose moderately throughout 2004. By the fourth quarter of 2004, the share of new accounts for the 529 Advisor plan compared to total new accounts was 18%, which means that roughly one in five new accounts were in the Advisor program. Still, new accounts in the 529 Advisor Plan lag that of the Managed Allocation and 100% Equity options provided by TIAA-CREF.



Assets under management rose from $442 million to $647 million over the course of 2004, an increase of $205 million, or 46%. Of this amount, slightly more than half, $116 million, represented contributions to existing accounts. The table below provides a breakdown of the growth in assets over the course of 2004.



Comparison to National Statistics

A further comparison of the MO$T program's penetration rate to other states' 529 plans was also made. The penetration rate is defined here as the ratio of total 529 Plan accounts to the total number of households in the state. The table on the following page provides a state-by-state comparison of the total assets and number of accounts held in each state's programs.[2]

Comparison of State's 529 Plan Assets and No. of Accounts

State	Assets as of 12/31/04	# of Accts as of 12/31/04	Housing Units as of 7/1/03	Population % Chg for 2004	Estimated Housing Units as of 7/1/04	Avg. Assets per Account	Rank	Penetration Rate	Rank
Alabama	$ 988,616,954	104,475	2,031,595	0.59%	2,043,529	$ 9,463	22	5.11%	22
Alaska	1,487,433,872	168,139	267,987	1.10%	270,945	8,846	32	62.06%	3
Arizona	256,607,439	45,054	2,392,746	2.95%	2,463,343	5,696	47	1.83%	35
Arkansas	156,660,964	13,351	1,214,302	0.91%	1,225,367	11,734	8	1.09%	46
California	1,362,706,584	147,297	12,656,882	1.22%	12,810,740	9,251	25	1.15%	45
Colorado	1,835,457,444	227,453	1,973,622	1.18%	1,996,958	8,070	35	11.39%	11
Connecticut	538,025,973	39,435	1,410,459	0.48%	1,417,191	13,643	4	2.78%	28
Delaware	226,326,000	20,439	357,480	1.49%	362,810	11,073	14	5.63%	19
District of Columbia	39,860,979	4,103	272,394	-0.73%	270,393	9,715	21	1.52%	39
Florida	4,668,572,803	1,015,689	7,788,543	2.34%	7,970,886	4,596	49	12.74%	10
Georgia	227,809,189	53,063	3,576,427	1.76%	3,639,462	4,293	50	1.46%	41
Hawaii	24,087,010	2,621	475,972	1.13%	481,341	9,190	27	0.54%	49
Idaho	59,410,298	10,168	564,474	1.92%	575,304	5,843	46	1.77%	36
Illinois	1,879,580,303	155,819	5,030,728	0.51%	5,056,399	12,063	7	3.08%	26
Indiana	310,629,255	49,673	2,651,165	0.61%	2,667,414	6,253	43	1.86%	34
Iowa	1,003,939,928	100,205	1,269,685	0.42%	1,275,069	10,019	19	7.86%	13
Kansas	930,850,639	76,163	1,170,718	0.39%	1,175,322	12,222	5	6.48%	17
Kentucky	146,109,258	24,408	1,814,575	0.67%	1,826,795	5,986	45	1.34%	43
Louisiana	63,263,402	18,411	1,896,748	0.49%	1,906,078	3,436	51	0.97%	47
Maine	2,920,740,507	147,470	671,089	0.61%	675,214	19,806	1	21.84%	5
Maryland	1,021,778,486	89,840	2,219,423	0.83%	2,237,843	11,373	12	4.01%	24
Massachusetts	1,655,700,000	143,157	2,660,847	-0.06%	2,659,251	11,566	10	5.38%	21
Michigan	1,848,621,775	243,205	4,383,456	0.30%	4,396,610	7,601	36	5.53%	20
Minnesota	294,648,457	32,252	2,167,054	0.73%	2,182,795	9,136	28	1.48%	40
Mississippi	191,420,203	28,100	1,206,630	0.71%	1,215,158	6,812	39	2.31%	32
Missouri	**650,130,665**	**71,186**	**2,532,960**	**0.62%**	**2,548,644**	**9,133**	**29**	**2.79%**	**27**
Montana	128,400,000	7,331	419,726	0.95%	423,707	17,515	2	1.73%	37
Nebraska	955,462,758	116,791	746,397	0.56%	750,581	8,181	34	15.56%	8
Nevada	1,315,548,902	191,832	935,934	4.13%	974,572	6,858	38	19.68%	6
New Hampshire	4,046,813,337	369,313	569,016	0.84%	573,782	10,958	16	64.36%	2
New Jersey	643,430,154	91,552	3,398,272	0.65%	3,420,475	7,028	37	2.68%	29
New Mexico	952,156,758	144,222	816,436	1.32%	827,183	6,602	41	17.44%	7
New York	3,448,669,582	345,803	7,802,245	0.08%	7,808,200	9,973	20	4.43%	23
North Carolina	180,496,356	19,546	3,779,034	1.43%	3,832,898	9,234	26	0.51%	50
North Dakota	245,844,182	21,088	296,959	0.15%	297,412	11,658	9	7.09%	15
Ohio	4,351,898,624	698,747	4,918,787	0.19%	4,927,960	6,228	44	14.18%	9
Oklahoma	115,325,223	22,160	1,552,599	0.49%	1,560,163	5,204	48	1.42%	42
Oregon	398,772,114	60,371	1,515,354	0.85%	1,528,217	6,605	40	3.95%	25
Pennsylvania	1,134,000,000	130,068	5,365,486	0.29%	5,380,897	8,719	33	2.42%	30
Rhode Island	5,418,634,355	445,665	445,783	0.42%	447,667	12,159	6	99.55%	1
South Carolina	505,742,650	43,993	1,854,624	1.19%	1,876,673	11,496	11	2.34%	31
South Dakota	350,866,687	31,826	337,100	0.78%	339,735	11,025	15	9.37%	12
Tennessee	74,597,276	11,342	2,552,506	0.95%	2,576,853	6,577	42	0.44%	51
Texas	1,574,123,421	166,582	8,658,290	1.75%	8,809,747	9,450	23	1.89%	33
Utah	939,000,000	56,977	826,551	1.57%	839,525	16,480	3	6.79%	16
Vermont	39,049,193	3,839	302,106	0.33%	303,106	10,172	18	1.27%	44
Virginia	10,674,755,081	944,128	3,058,766	1.28%	3,098,029	11,306	13	30.48%	4
Washington	458,658,072	42,729	2,567,328	1.18%	2,597,681	10,734	17	1.64%	38
West Virginia	565,656,929	62,157	854,817	0.22%	856,664	9,100	31	7.26%	14
Wisconsin	1,364,523,668	146,776	2,417,364	0.63%	2,432,703	9,297	24	6.03%	18
Wyoming	17,042,112	1,868	229,949	0.88%	231,972	9,123	30	0.81%	48
Total	**$ 64,688,455,821**	**7,207,882**	**120,879,390**		**122,067,263**	**$ 8,975**	**avg**	**5.90%**	**avg**

Sources: US Census Bureau, College Savings Plan Network

[2] In this report, the number of accounts are measured differently based on different reporting methods used by TIAA-CREF. For reports provided to the Board, each separate investment option for a beneficiary is counted as a single account. Thus, if assets are invested for a child in the 100% Equity Option and the Managed Allocation option, that is counted as two accounts. For CSPN reporting, which is used to measure MO$T against other 529

Because of the many differences in states' programs, the purpose of this review was not to make individual comparisons of state's programs. Several states, such as Virginia and Maine, attract a much greater percentage of out-of-state monies because of the fee structure provided to the investment advisors marketing these programs. Investment advisors in non-resident states may advise placing their clients in these states' 529 programs due to the financial incentives provided. Other states, such as Michigan and Tennessee, have absorbed the inflation risk associated with tuition for state universities to residents, which offers a great incentive for in-state residents to participate but also creates the potential for a significant liability for the state.

Nevertheless, a comparison of MO$T's penetration rate in Missouri to national averages can be useful. The MO$T program ranks near the middle of states at 27th in terms of its penetration rate. Compared to the national average penetration rate of 4.46%, Missouri falls below that with a penetration rate of 2.43%.

One of the possible reasons for why the penetration rate for MO$T is below the national average is "leakage" of a portion of the State's residents' monies to other state programs. Unfortunately, state 529 plans are not required to provide a breakdown of assets held by residents versus non-residents, so there is no way to quantify or evaluate the amount of "leakage" of Missouri residents' college savings assets to out-of-state plans. However, we know that some states' plans draw massively from out-of-state account owners based on the statistics in the table above. Indeed, the top six state plans ranked by total assets account for more than half of all 529 plan assets. Included in the top 6 plans are two smaller states, Rhode Island and New Hampshire, that cannot realistically just be drawing from in-state assets.

If one assumes that Missouri residents contribute roughly in line with the national average, then one can very roughly estimate the amount of "leakage" of collage savings assets. In 2004, the average 529 assets per household in the U.S. was $530. Multiplying $530 by the number of households in Missouri (2.54 million) equates to $1.35 billion. This compares to the amount of assets held as of December 31, 2004 of $650 million. So, using this methodology, the potential leakage of out-of-state assets from Missouri may be as high as $700 million. We tend to doubt that the actual amount of Missouri residents' assets in other states' 529 plans is nearly this high, but such a methodology confirms that Missouri, like the majority of states, sees a large amount of leakage of residents' college savings to other states.

In terms of the average assets per account, the State's program ranks 29th overall based on statistics gathered from CSPN. The average assets per account for the MO$T program of $9,133 is slightly above the national average of $8,975.

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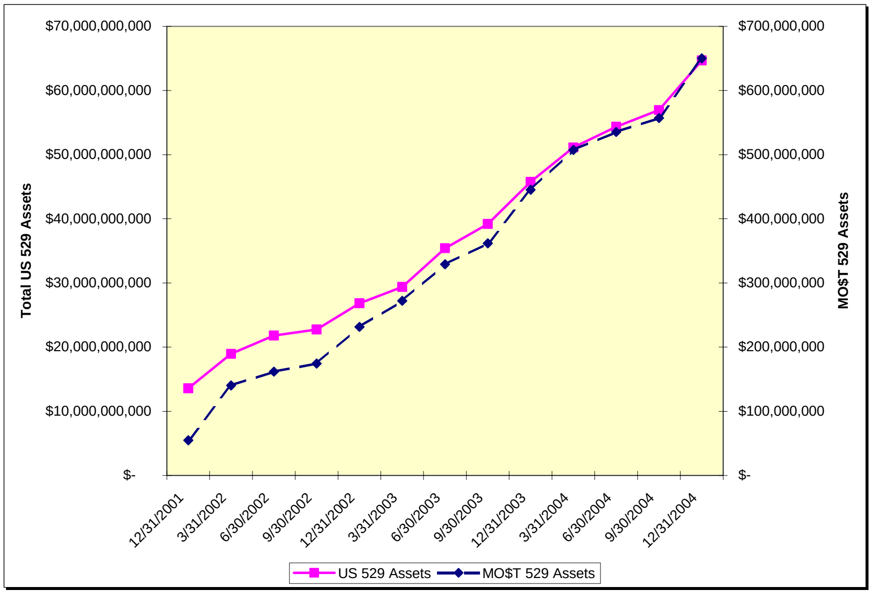
programs, TIAA-CREF defines an account more narrowly; thus, in the above example, the child would be considered to have just one account.

Now that the MO$T Program and a large number of state college savings have been in operations for five years, we also thought it would be useful to look at data longitudinally and assess the growth of assets in MO$T versus the overall 529 market. As I noted previously, in 2004 we saw a certain leveling off in the number of new MO$T accounts. The question raised here, then, is whether the growth of assets held in the MO$T program lags that of the overall market.

The chart on the right tracks the growth of all 529 assets in the U.S. against that of MO$T. We see that the US growth rate and that of Missouri have tracked fairly closely since 2002. In 2004, assets in the 529 market grew 41% from $45.7 billion to 64.7 billion. During the same period, assets in the MO$T Program grew 46%. Assuming that the investment returns for state programs were roughly equal, this indicates that there was a certain leveling off of new accounts overall in the 529 market.



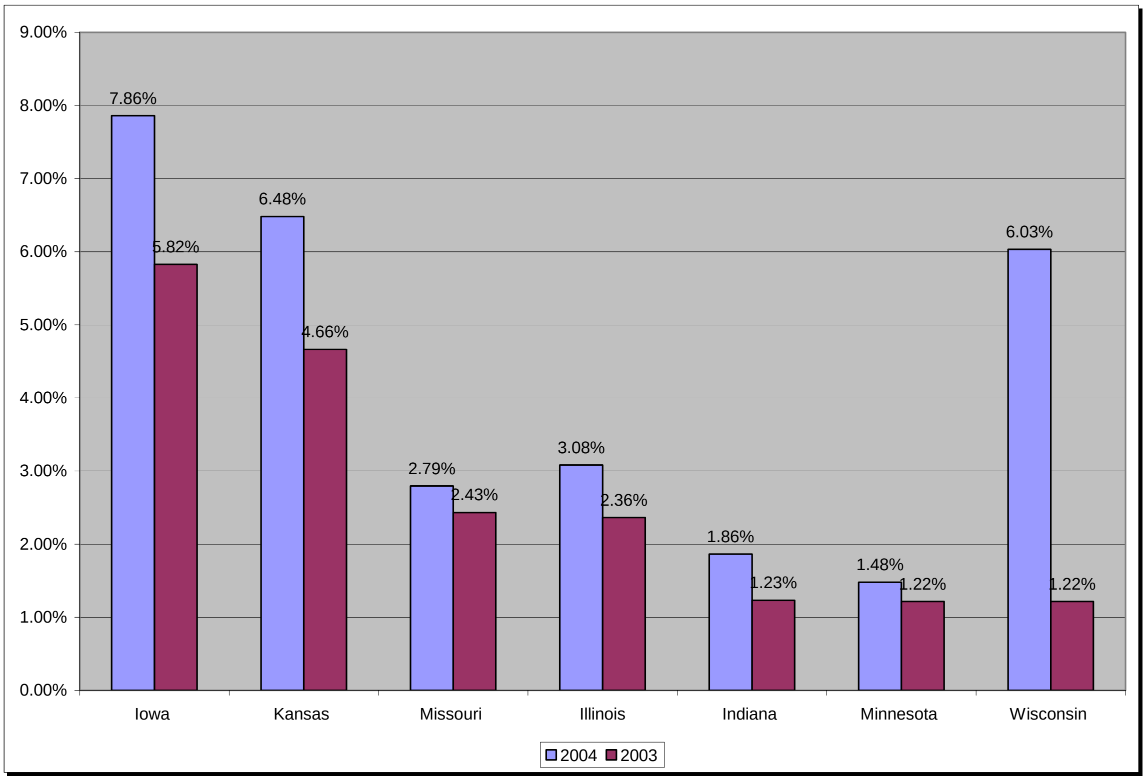
Comparison to Peer Group

In last year's report, we also compared the MO$T program to a peer group of Midwestern states. Regionally, we would note that only two states in this peer group—Minnesota (another TIAA-CREF client state) and Indiana—had lower penetration rates than Missouri in 2004.

Regional Comparison of State 529's Penetration Rate

State	2004	2003	2004 Rank	2003 Rank
Iowa	7.86%	5.82%	13	12
Kansas	6.48%	4.66%	17	14
Missouri	2.79%	2.43%	27	26
Illinois	3.08%	2.36%	26	27
Indiana	1.86%	1.23%	34	36
Minnesota	1.48%	1.22%	40	37
Wisconsin	6.03%	1.22%	18	37

The chart below graphically displays the penetration rates of these states for both 2003 and 2004. Interestingly, the states of Iowa and Kansas, which had the highest penetration rates in 2003, also showed the greatest increase in penetration rates in 2004 other than Wisconsin.



Findings:

1. The MO$T program continues to rank near the median of all states in terms of the penetration rate to households. Missouri has neither lost nor gained significant ground vis-à-vis other state 529 programs.

2. However, there likely is a significant amount of "leakage" of assets from Missouri to out-of-state plans. Most states do in fact experience some leakage of 529 assets, and in fact more than one-fourth of MO$T assets are from out-of-state residents. Although it may be extremely difficult to draw back assets into the MO$T program from Missourians who already invest 529 assets out of state, the potential assets available to draw back into our plan is very large.

3. It appears that in 2004, both on a national level and in Missouri, participation in college savings programs has begun to plateau somewhat. If one believes that we have reached a saturation point for households that were basically predisposed to participate in a 529 program, then there are essentially two ways in the future to increase participation: to attract or bring back out-of-state assets to Missouri or to reach segments in the market that remain underserved by current 529 programs.

Continued Viability

The MO$T program remains a viable, well-respected college savings program. Part of the reason for the program's success remains the program's low costs and solid reviews of the State's programs.[3] As an example, SavingForCollege.com has given the MO$T program a rating of 4.5 out of 5. Probably the most common reason for why several other states' programs are rated higher than MO$T by publications such as Morningstar is the wider array of investment options they provide. For example, several states provide more than one managed allocation option, such as an "aggressive" age-based option with greater exposure to equities. Additionally, we have seen many states offer multiple plans or fund families to provide additional choices for existing and prospective account owners. While there may be a point at which the number of options and plans offered to investors may overwhelm them, I believe that the 529 market is generally moving towards a more 401K-style cafeteria approach with greater choices, not less, for participants.

Another key facet of the 529 industry is the use of broker distribution networks to sell states' plans. There is evidence that broker-sold plans have overtaken directly sold programs in terms of accumulating 529 assets. TIAA-CREF's recent success in adding several large brokerages, namely UBS and Wachovia, to the MO$T Advisor program is thus an important development for the plan.

In addition to the new advisor series to the program, though, I believe the inclusion of additional investment options and/or fund families in the MO$T program will be an important element in retaining and attracting new MO$T participants in the future. Additionally, if the State is successful in launching a 529-eligible Certificate of Deposit (CD), this program brings with it the potential to further increase participation in the MO$T program in a niche that is likely underserved by traditional college savings programs.

Overall, the MO$T program is well positioned for continued growth in the future. The effective incorporation of the CD program into the State's 529 plan and the preparation of an RFP process for administration of the MO$T program represent the two largest challenges for the Board and Treasurer's staff in 2005. However, both of these major initiatives bring with them the opportunity to enhance the MO$T program for the next four to five years. If you have any questions regarding the information in this report, please do not hesitate to contact me in the State Treasurer's Office at (573) 751-8530.

[3] See Appendix A for a breakdown of other State's 529 plan costs.

Appendix A
State 529 Plan Fees
(Source: SavingforCollege.com)

State	Annual Asset-based Program Management Fee	Expenses of Underlying Investments
Alabama		
Higher Education 529 Fund (Advisor-sold)	No, but each share class (A, B, or C) has its own expense structure	Approximately 0.59% to 1.75% (portfolio weighted average)
Higher Education 529 Fund (Direct-sold)	No	Approximately 0.59% to 1.75% (portfolio weighted average)
Alaska		
John Hancock Freedom 529	Yes, Stable Principal Portfolio and Class A shares - 0.75%; Class B and C shares - 1.65% (Class B shares convert to Class A share pricing in year 7)	Approximate range of underlying fund expenses is 0.55% to 1.32%
T. Rowe Price College Savings Plan	Yes, 0.30%	Approximate range of underlying fund expenses is 0.45% to 0.80%
University of Alaska College Savings Plan	Yes, 0.30%, but waived for ACT Portfolio	Approximate range of underlying fund expenses is 0.45% to 0.80%
Arizona		
Arizona Family College Savings Program (College Savings Bank)	No	N/A
Arizona Family College Savings Program (SM&R) (Advisor-sold)	No, but each share class (A or C) has its own expense structure	Approximate range of underlying fund expenses is 0.49% to 2.10%
Arizona Family College Savings Program (SM&R) (Direct-sold)	No	Approximate range of underlying fund expenses is 0.49% to 2.10%
Pacific Funds 529 College Savings Plan (Advisor-sold) AZ	No, but each share class (A, B, or C) has its own expense structure	Varies by fund and share class
Pacific Funds 529 College Savings Plan (Direct-sold) AZ	No	Varies by fund
Waddell & Reed InvestEd Plan	Yes, total expenses, including underlying fund expenses, distribution fees, and other portfolio expenses range from 1.68% to 1.83% for Class A shares, and from 2.43% to 2.62% for Class B and C shares, net of 0.30% expense waiver through 4/30/05	Included in annual asset-based program management fee
Arkansas		
GIFT College Investing Plan (Advisor-sold)	Yes, 0.55%, plus each share class (A, B, or C) has its own expense structure	Approximately 0.83% - 1.33% (portfolio weighted average)
GIFT College Investing Plan (Direct-sold)	Yes, 0.55%	Approximately 0.83% - 1.33% (portfolio weighted average)
California		
Golden State ScholarShare College Savings Trust	Yes, 0.70% - 0.80% (none for the guaranteed option)	N/A, included in asset-based management fee

Appendix A
State 529 Plan Fees
(Source: SavingforCollege.com)

State	Annual Asset-based Program Management Fee	Expenses of Underlying Investments
Colorado		
Scholars Choice College Savings Program (Advisor-sold)	Yes, each share class (A, B, or C) has its own expense structure	Approximate range of underlying fund expenses is 0.50% to 0.79% (portfolio weighted average)
Scholars Choice College Savings Program (Direct-sold)	Yes, 0.99% - 1.09%	N/A, included in asset-based management fee
Stable Value Plus College Savings Program	Yes, 0.99%	N/A, included in asset-based management fee
Connecticut		
Connecticut Higher Education Trust (CHET)	Yes, 0.57% (none for the principal plus interest option); the Trustee may additionally withdraw a fee of up to 0.02% of the average daily net assets of the Trust annually to pay for expenses related to oversight of the Trust	Approximately 0.08% to 0.20% (portfolio weighted average)
Delaware		
Delaware College Investment Plan	Yes, 0.30%	Approximately 0.65% - 0.81% (portfolio weighted average)
District of Columbia		
DC 529 College Savings Program (Advisor-sold)	Yes, 0.15%	Range of 0.59% to 1.34% for the age-based options; range of 0.35% to 1.77% for the single-fund options; no expense charge for the stability of principal option
DC 529 College Savings Program (Direct-sold)	Yes, 0.15%	Range of 0.59% to 1.34% in the age-based options; range of 0.35% to 1.77% in the single-fund options; no expense for the stability of principal option
Florida		
Florida College Investment Plan	Yes, 0.75%	N/A, included in asset-based management fee
Georgia		
Georgia Higher Education Savings Plan	Yes, 0.85% (none for the guaranteed option)	N/A, included in asset-based management fee

Appendix A
State 529 Plan Fees
(Source: SavingforCollege.com)

State	Annual Asset-based Program Management Fee	Expenses of Underlying Investments
Hawaii		
TuitionEDGE (Advisor-sold)	Yes, 0.95% (none for the bank savings option), and each share class (A, B, or C) has its own additional expense structure	N/A, included in asset-based management fee
TuitionEDGE (Direct-sold)	Yes, 0.95% (none for the bank savings option)	N/A, included in asset-based management fee
Idaho		
Idaho College Savings Program (IDeal)	Yes, 0.70% (none for the guaranteed option)	Approximately 0.16% - 0.23% (portfolio weighted average)
Illinois		
Bright Start College Savings Program	Yes, 0.99%	N/A, included in asset-based management fee
Indiana		
CollegeChoice 529 Plan	No, but each share class (A, B, or C) has its own expense structure	Approximately 0.35% - 1.49% (portfolio weighted average)
Iowa		
College Savings Iowa	Yes, 0.65%	N/A, included in asset-based management fee
Principal College Savings Plan		
Kansas		
Kansas Learning Quest 529 Education Savings Program (Advisor-sold)	Yes, 0.39% for the Target-Year Portfolios and the 100% Equity Portfolio; none for the Money Market Portfolio; each share class (A, B, or C) has its own additional expense structure	Approximately 0.47% - 1.00% (portfolio weighted average)
Kansas Learning Quest 529 Education Savings Program (Direct-sold)	Yes, 0.39% for the Target-Year Portolios and the 100% Equity Portfolio; none for the Money Market Portfolio	Approximately 0.47% - 1.00% (portfolio weighted average)
Schwab 529 College Savings Plan	Yes, 0.39%	Approximately 0.58% - 1.12% (portfolio weighted average)
Kentucky		
Kentucky Education Savings Plan Trust	Yes, 0.80% (none for the guaranteed option)	N/A, included in asset-based management fee

Appendix A
State 529 Plan Fees
(Source: SavingforCollege.com)

State	Annual Asset-based Program Management Fee	Expenses of Underlying Investments
Louisiana		
START Saving Program	No	None for the Fixed Earnings fund; up to 0.28% for the underlying Vanguard funds
Maine		
NextGen College Investing Plan - Client Direct Series	Yes, 0.55% (0.525% for the Principal Plus Portfolio); Maine residents are eligible to receive a 0.15% fee refund (0.125% for the Principal Plus Portfolio)	Approximately 0.77% - 1.12% (portfolio weighted average as of 10/29/03)
NextGen College Investing Plan - Client Select Series	Yes, 0.60% if the portfolio target equity allocation is less than 40% or 0.90% if the target equity allocation is 40% or more (0.725% for the Principal Plus Portfolio); Maine residents are eligible to receive a 0.15% fee refund (0.125% for the Principal Plus Portfolio)	Approximately 0.73% - 1.64% (portfolio weighted average as of 10/19/03)
Maryland		
College Savings Plans of Maryland - College Investment Plan	Yes, Up to 0.38%	Approximate range of underlying fund expenses is 0.35% to 1.25%; however, the expense ratio cap for the plan as a whole is 1.05%
Massachusetts		
U.Fund College Investing Plan	Yes, 0.30%	Approximately 0.64% - 0.81% (portfolio weighted average)
Michigan		
Michigan Education Savings Program	Yes, 0.65% (none for the guaranteed option)	N/A, included in asset-based management fee
Minnesota		
Minnesota College Savings Plan	Yes, 0.65% (none for the guaranteed option)	N/A, included in asset-based management fee
Mississippi		
MACS 529 Advisor Program	Yes, 0.70% (none for the guaranteed option)	Varies by fund
Mississippi Affordable College Savings (MACS) Program	Yes, 0.70% (none for the guaranteed option)	Approximately 0.16% - 0.23% (portfolio weighted average)

Appendix A
State 529 Plan Fees
(Source: SavingforCollege.com)

State	Annual Asset-based Program Management Fee	Expenses of Underlying Investments
Missouri		
Missouri Saving for Tuition (MO$T) Program (Direct-sold)	Yes, 0.65% (none for the guaranteed option)	N/A, included in asset-based management fee
MO$T 529 Advisor Program	Yes, 0.65% (none for the guaranteed option)	N/A, included in asset-based management fee
Montana		
Montana Family Education Savings Program	No	N/A
Pacific Funds 529 College Savings Plan (Advisor-sold) MT	No, but each share class (A, B, or C) has its own expense structure	Varies by fund and share class
Pacific Funds 529 College Savings Plan (Direct-sold) MT	No	Varies by fund
Nebraska		
AIM College Savings Plan	No, but each share class (A, B, or C) has its own expense structure	Approximate range of underlying fund expenses is 0.90% to 2.02%
College Savings Plan of Nebraska (Advisor-sold)	Yes, 0.60%, and each share class (A, C, or H) has its own expense structure	Approximately 0.18% - 0.40% (portfolio weighted average) in the blended-fund portfolios; approximate range of underlying fund expenses in the single-fund portfolios is 0.05% to 1.09%
College Savings Plan of Nebraska (Direct-sold)	Yes, 0.60%	Approximately 0.18% - 0.40% (portfolio weighted average) in the blended-fund portfolios; approximate range of underlying fund expenses in the single-fund portfolios is 0.05% to 1.09%
State Farm College Savings Plan	No, but each share class (A, B, or C) has its own expense structure	Approximate range of underlying fund expenses is 1.06% to 1.43%
TD Waterhouse 529 College Savings Plan	Yes, 0.85%	Approximately 0.18% - 0.40% (portfolio weighted average) in the blended-fund portfolios; approximate range of underlying fund expenses in the single-fund portfolios is 0.05% to 1.09%

Appendix A
State 529 Plan Fees
(Source: SavingforCollege.com)

State	Annual Asset-based Program Management Fee	Expenses of Underlying Investments
Nevada		
American Skandia College Savings Program	No, but each share class (A or C) has its own expense structure	Approximate range of underlying fund expenses is 1.46% to 1.90%
Columbia 529 Plan	Yes, 0.30%, and each share class (A, B, or C) has its own additional expense structure	Approximate range of underlying fund expenses is 0.67% to 1.61%
The Strong 529 Plan	Yes, 0.65%	N/A, included in asset-based management fee
The Upromise College Fund	Yes, 0.65%	N/A, included in asset-based management fee
The Vanguard 529 Savings Plan	Yes, 0.65% for the 3 age-based options, and range of 0.65% to 0.86% for the 18 individual portfolios	N/A, included in asset-based management fee
USAA College Savings Plan	Yes, 1.30%	N/A, included in asset-based management fee
New Hampshire		
Fidelity Advisor 529 Plan	Yes, 0.30%, and each unit class (A, B, C or P) has its own additional expense structure	Approximate range of underlying fund expenses is 0.39% to 1.14%
UNIQUE College Investing Plan	Yes, 0.30%	Approximately 0.65% - 0.81% (portfolio weighted average)
New Jersey		
Franklin Templeton 529 College Savings Plan	Yes, 0.40%, and each share class (A, B, or C) has its own additional expense structure	Approximate range of underlying fund expenses is 0.85% to 2.11%
NJBEST 529 College Savings Plan	Yes, 0.40%	Approximate range of underlying fund expenses is 0.45% to 0.88%

Appendix A
State 529 Plan Fees
(Source: SavingforCollege.com)

State	Annual Asset-based Program Management Fee	Expenses of Underlying Investments
New Mexico		
Arrive Education Savings Plan	Yes, 0.40%, and each share class (A, B, or C) has its own additional expense structure	Approximate range of underlying fund expenses is 0.44% to 1.47%
CollegeSense 529 Higher Education Savings Plan	Yes, 0.35%, and each share class (A, B, or C) has its own additional expense structure	Approximate range of underlying fund expenses is 0.49% to 2.27%
Scholar'sEdge	No, but each share class (A, B, or C) has its own expense structure	Approximate range of underlying fund expenses is 0.50% to 1.88%
The Education Plan's College Savings Program (Advisor-sold)	Yes, 0.30%	Approximate range of underlying fund expenses is 0.49% to 1.43%
The Education Plan's College Savings Program (Direct-sold)	Yes, 0.30%	Approximate range of underlying fund expenses is 0.49% to 1.43%
New York		
New York's 529 College Savings Program - Advisor Plan	Yes, 0.30% and each share class (A, B, or C) has its own additional expense structure	Approximate range of underlying fund investments is 0.67% to 2.44%
New York's 529 College Savings Program - Direct Plan	Yes, currently 0.58%; drops to 0.56% when assets reach $4 billion and to 0.55% when assets reach $5 billion	N/A, included in asset-based management fee
North Carolina		
National College Savings Program (Advisor-sold)	Yes, 0.25% (none for the MetLife Protected Stock Fund), and each share class (A, B, or C) has its own additional expense structure	approximately 0.63% to 1.74% (portfolio weighted average) for the Seligman options.
National College Savings Program (Direct-sold)	Yes, up to 0.25% (0.10% for the Seligman CollegeHorizonFunds and none for the Protected Stock Fund)	Aggressive Stock Fund approximately 0.65% to 0.72%; Balanced Fund approximately 0.63%; Dependable Income Fund 0.05%; Seligman CollegeHorizonFund approximately 0.63% to 1.39% (portfolio weighted average)
North Dakota		
College SAVE	Yes, 0.50% (waived for ND residents)	Approximately 1.17% - 1.71% (portfolio weighted average)
College SAVE (Advisor-sold)	Yes, 0.50% (waived for ND residents)	Approximately 1.17% - 1.71% (portfolio weighted average)

Appendix A
State 529 Plan Fees
(Source: SavingforCollege.com)

State	Annual Asset-based Program Management Fee	Expenses of Underlying Investments
Ohio		
Ohio CollegeAdvantage Savings Plan - Variable Investment Option	Yes, 0.05% OTTA fee for the Putnam investment options and 0.20% OTTA fee for the Vanguard investment options; audit and administration expenses of up to 0.04% may be charged against the program fund; for accounts opened through a broker each share class (A, B or C) has its own additional administrative	For the Putnam investment options: 0.94% for the age-based portfolio and a range of approximately 0.52% to 1.35% for the static asset-allocation and single-fund portfolios. For the Vanguard investment options: Range of approximately 0.15% to 0.29% which includes a 0.10% investment fee charged to the program by Vanguard
Putnam CollegeAdvantage Savings Plan	Yes, 0.20%, and each share class (A, B, or C) has its own additional expense structure	Approximately 0.50% - 1.29% (portfolio weighted average)
Oklahoma		
Oklahoma College Savings Plan	Yes, 0.55% (none for the guaranteed option)	Approximately 0.11% - 0.13% (portfolio weighted average)
Oregon		
MFS 529 Savings Plan	Yes, 0.25%, and each share class (A, B, or C) has its own additional expense structure	Varies by fund
Oregon College Savings Plan	Yes, 0.25%	Approximately 0.08% - 0.79%
Oregon College Savings Plan / FACTS 529 Plan (Advisor-sold)	Yes, 0.25%, and each share class (A, B, or C) has its own additional expense structure	Approximately 0.52% - 0.79%
USA CollegeConnect	Yes, 0.45%, and each share class (A, B, or C) has its own additional expense structure	Varies by fund
Pennsylvania		
TAP 529 Investment Plan (Advisor-sold)	Yes, 0.35%, and each share class (A, B, or C) has its own additional expense structure	Approximately 0.45% - 1.29% (portfolio weighted average)
TAP 529 Investment Plan (Direct-sold)	Yes, 0.35%	Approximately 0.45% - 1.29% (portfolio weighted average)

Appendix A
State 529 Plan Fees
(Source: SavingforCollege.com)

State	Annual Asset-based Program Management Fee	Expenses of Underlying Investments
Rhode Island		
CollegeBoundfund (Advisor-sold)	No, but each share class (A, B, or C) has its own expense structure	0.76% - 0.95% for the blended-fund portfolios (portfolio weighted average as of 1/1/04); single-fund portfolio expense ratios vary by fund
CollegeBoundfund (Direct-sold)	No	0.76% - 0.95% for the blended-fund portfolios (portfolio weighted average as of 1/1/04); single-fund portfolio expense ratios vary by fund
JP Morgan Higher Education Plan	Yes, 0.90%, 1.00%, or 1.10%, and broker-sold accounts must choose a share class (A or B) which has its own additional expense structure	N/A, included in the asset-based management fee
South Carolina		
Future Scholar 529 College Savings Plan (Advisor-sold)	Yes, 0.30%, and each share class (A, B, or C) has its own additional expense structure	Approximate range of underlying fund expenses is 0.10% to 1.30%
Future Scholar 529 College Savings Plan (Direct-sold)	Yes, 0.20%	Approximate range of underlying fund expenses is 0.10% to 0.41%
South Dakota		
CollegeAccess 529 (Advisor-sold)	Yes, 0.35% (waived for SD residents), and each share class (A, B, or C) has its own additional expense structure	Approximate range of underlying fund expenses is 0.21% to 1.42%
CollegeAccess 529 (Direct-sold)	No	Not to exceed 0.65%
Legg Mason Core4College 529 Plan	Yes, 0.30%	Approximate range of underlying mutual funds, combined with annual distribution fees, is 0.69% to 2.25%
Tennessee		
Tennessee's BEST Savings Plan	Yes, 0.95%	N/A, included in asset-based management fee

Appendix A
State 529 Plan Fees
(Source: SavingforCollege.com)

State	Annual Asset-based Program Management Fee	Expenses of Underlying Investments
Texas		
Tomorrow's College Investment Plan (Advisor-sold)	Yes, Class A - 0.45%; Class B - 0.95%; Class C - 0.95%; beginning May 1, 2005 expenses incurred by the state in administering the plan are reimbursable to the state from the program assets	Varies by investment option
Tomorrow's College Investment Plan (Direct-sold)	Yes, 1.00% for the age-based and blended-fund portfolios which includes all underlying fund expenses; 0.45% for the stable value and single fund portfolios; beginning May 1, 2005 expenses incurred by the state in administering the plan are reimbursable to the state from the program assets	Included in the asset-based fee for the age-based and blended-fund portfolios; between 0.15% and 1.75% for the single-fund portfolios; none for the stable value portfolio
Utah		
Utah Educational Savings Plan (UESP) Trust	Yes, $5 per $1,000 of account balance up to a maximum of $25 annually (waived for Utah residents and for investments in the fixed income portfolio which is Option 1), plus 0.25% (none for the fixed income portfolio)	Approximately 0.025% for the S&P 500 stock index fund, 0.05% for the bond index fund, 0.10% for the mid and small cap index funds, and 0.51% - 0.62% for international stocks; none for the fixed income portfolio which is Option 1
Vermont		
Vermont Higher Education Investment Plan	Yes, 0.80% for the TIAA-CREF portfolios only, none for interest income option	N/A, included in asset-based management fee
Virginia		
CollegeAmerica	No, but each share class (A, B, C, E, or F) has its own expense structure	Varies by fund
Virginia Education Savings Trust (VEST)	No	Approximately 0.85% - 1.00% includes all program operating expenses
Washington		
Not available		

Appendix A
State 529 Plan Fees
(Source: SavingforCollege.com)

State	Annual Asset-based Program Management Fee	Expenses of Underlying Investments
West Virginia		
Cornerstone SMART529	Yes, 0.44%, and each share class (A, B, or C) has its own additional expense structure.	Ranges from 0.76% to 0.96% in the age-based and static portfolios; the range of expenses in the individual fund options range from 0.72% to 1.31%
Leaders SMART529	Yes, 0.44%, and each share class (A, B, or C) has its own additional expense structure	Ranges from 0.83% to 1.01% in the age-based and static portfolios; the approximate range of underlying fund expenses in the individual-fund options is 0.70% to 1.38%
SMART529 College Savings Option (Advisor-sold)	Yes, 1.16%, and each share class (A, B, or C) has its own additional expense structure	N/A, included in asset-based management fee
SMART529 College Savings Option (Direct-sold)	Yes, 1.16%	N/A, included in asset-based management fee
Wisconsin		
EdVest (Advisor-sold)	Yes, 0.30% for the Strong blended-fund portfolios; 0.40% for the non-Strong single-fund portfolios; and 0.25% for the stable value portfolio	Approximate range of underlying mutual funds: 0.40% to 1.02% (portfolio weighted average) in the Strong blended-fund portfolios, 0.05% to 0.78% in the non-Strong single-fund portfolios, and 0.50% in the stable value portfolio
EdVest (Direct-sold)	Yes, 0.30% for the Strong blended-fund portfolios; 0.40% for the non-Strong single-fund portfolios; and 0.25% for the stable value portfolio	Approximate range of underlying mutual funds: 0.40% to 1.02% (portfolio weighted average) in the Strong blended-fund portfolios, 0.05% to 0.78% in the non-Strong single-fund portfolios, and 0.50% in the stable value portfolio
tomorrow's scholar	Yes, 0.25% and each share class (A, B, or C) has its own additional expense structure	Approximate range of underlying fund expenses is 0.76% to 1.10% (portfolio weighted average)
Wyoming		
College Achievement Plan	Yes, 0.95%	Approximately 0.85% - 1.45% (portfolio weighted average)
College Achievement Plan (Advisor-sold)	Yes, 0.95%	Approximately 0.85% - 1.45% (portfolio weighted average)