

**Maryland 529
MEETING MINUTES**

**September 20, 2018
9:30 AM – 12:30 PM**

**Maryland 529
217 E. Redwood Street, Suite 1350
Baltimore, MD 21202**

Board Members/Designees Present

Nancy K. Kopp, State Treasurer and
Board Chair
Geoffrey Newman, Secretary of Higher
Education's Designee
Steven Serra, Superintendent of
School's Designee
Carol Beatty, Secretary of Maryland
Department of Disabilities
Carol Coughlin
Keith Persinger
Pamela Purcell, Chancellor of University
System of Maryland's Designee
Charles Tharp
Peter Tsirigotis
Dr. Lisa Weah (By Phone)

Staff, Representatives and Guests

Erin Layton, Interim-Executive Director
and Director of Investments and
Cash Management
Bernadette Benik, Chief Deputy
Treasurer
John Kenney
Bette Ann Mobley, Director of Maryland
ABLE
Meghan Marek, Assistant Attorney
General
Christine Ronk, Executive Assistant
Glenn Ross, Marquette Associates
Christine Akins, T. Rowe Price
Investment Services, Inc. (TRP)
Wayne Parks, TRP
Dave McAvoy, TRP
Ian Kline, Maryland DLS
Amy Williams, GRS
Jim Balsan, BNY Mellon

• Approval of Minutes

Treasurer Kopp asked for comments on the minutes for the regular June 12, 2018 Board meeting. There was a minor revision requested. Upon motion duly made and seconded, it was unanimously

RESOLVED, that the minutes for the June 12, 2018 Board meeting are hereby approved.

• Board Chairman's Items

Treasurer Kopp noted that the Audit and Finance Committee Charter revisions would be discussed as part of the Committee's report.

- MPCT Soundness and Pricing Assumptions

Pam Purcell joined the meeting at this time.

Ms. Williams presented the preliminary results of the June 30, 2018 Actuarial Soundness Valuation. The summary noted the key actuarial valuation assumptions, actuarial valuation results, and historic data. The Board discussed a variety of factors related to the actuarial valuation assumptions including consistency with prior years, the likelihood of changes in assumptions, the impact of differential tuition, which is currently exclusive to UMCP, free community college and trends towards assisting families to pay for 4 year colleges, and the impacts of market variations. This led into a discussion concerning the GRS pricing analysis.

The Board also discussed the actuarial surplus, its origins, and what the implications are for the Prepaid Trust. The Board reached a consensus that the AFI Committee should help establish questions to be researched by GRS as part of an evaluation of the Trust's experience, its actuarial surplus, and possible actions to be taken by the Board.

Dr. Weah, Bette Ann Mobley, and Jim Balsan joined the meeting at this time.

Upon motion duly made and seconded, it was unanimously

RESOLVED, that the assumptions used for the actuarial soundness valuation would remain the same for the valuation as of fiscal year ended 2018 and would be reexamined following an experience study to be conducted next year.

Upon motion duly made and seconded, it was unanimously.

RESOLVED, that contract pricing would be run based on increases to the Weighted Average Tuition (WAT), of 1.94% for University and 3.24% for Community College, for 2018-19.

Mr. Kenney and Ms. Williams left the meeting at this time.

- ABLE Special Committee Report

Secretary Beatty commended the Director of Maryland ABLE, Betty Ann Mobley, and her team, as well as Erin Layton and Meghan Marek for the tremendous job they have been doing on ABLE. It was noted that Ms. Mobley has even taken a leadership role nationally as other states move forward with ABLE Programs. All of these efforts have helped to ensure that this very worthwhile initiative is successful.

Secretary Beatty shared highlights from the ABLE Committee Report to the Maryland 529 Board dated September 17, 2018. Program updates included the creation of the Maryland ABLE Managing for Results (MFR) goals and objectives for inclusion with the Maryland 529 MFR data to be submitted to the legislature with the FY 2020 budget.

ABLE continues to conduct extensive outreach activities, which will be part of the MFR submission. Recruitment is underway to hire two unpaid interns for the winter term to assist with ABLE market research and strategic marketing.

As of September 9, 2018 the ABLE program had 744 funded program accounts with approximately \$3.3 million in assets, which exceeded the goals, set by the Committee last year.

The ABLE 2018 Second Quarter Report was presented by BNY Mellon. Mr. Balsan reviewed the current quarter, the platform development for the ABLE to Work functionality, fund growth, participant demographics, fund activities by the type of fund and customer service statistics. The cash option had the greatest increase of 65% for this quarter. New Plan features activated on June 28, 2018 included online gifting and ABLE to Work contributions.

Dr. Weah, Ms. Mobley and Mr. Balsan left the meeting at this time.

- Audit & Finance Committee Report

Charles Tharp provided an update from the Audit & Finance Committee and walked the Board through the Committee report. Topics included the upcoming independent audit by SB & Company, the process for voting of the T. Rowe Price Proxy, the preliminary Maryland 529 and ABLE budget submissions for FY 2020, and a presentation on the Capital Markets Review by Glenn Ross of Marquette.

Carol Coughlin stepped out of the meeting at this time.

Mr. Tharp presented the revised committee charter. Treasurer Kopp also noted that changing the Committee name to include "investment" was more descriptive of the activities of the Committee.

There being no further comments or discussion, and upon motion duly made and seconded, it was unanimously

RESOLVED, that the Board approve the charter of the Audit, Finance and Investment Committee as amended.

- FY20 MD529 Budget

Ms. Kannan presented the closed FY18 budget, the approved FY19 budget, and the proposed FY20 budget for Maryland 529, including ABLE. Discussion occurred around the ABLE budget and whether additional funds would need to be appropriated. Ms. Kannan noted that she had been in communication with DBM regarding this deficit.

Upon motion duly made and seconded, it was unanimously.

RESOLVED, that the proposed FY 2020 operation budget will be submitted to DBM as proposed.

Ms. Kannan and Pam Purcell left the meeting at this time.

- Market Update

Glenn Ross, Marquette Associates, provided the financial market update. He noted that the unemployment rate remained at 3.9% in August with 201,000 non-farm jobs added. The Consumer Price Index (CPI) increased 2.9% over the last 12 months which indicated a strong, stable economy. However, the mid-term elections in November and possible trade wars on the international front breed unpredictability into the markets. Emerging market debt is being influenced by the depreciating currencies of Turkey and Argentina. U. S. Equities, though, are growth oriented and are outpacing value.

Pam Purcell reentered the meeting at this time.

Treasurer Kopp asked if Mr. Ross had recommendations to change our portfolio structure. Mr. Ross believes the portfolio is well positioned to weather any of the tail risks identified.

- Maryland College Investment Plan – T. Rowe Price

T. Rowe Price representative, Christine Akins, began by introducing Dave McAvoy who is new to T. Rowe Price but will be dedicated to the Maryland 529 team. She then provided an update on the Maryland College Investment Plan (MCIP) and referred to the Quarterly Report dated August 2018.

Ms. Akins reported that assets were up 11.7% over the same period as last year with assets now totaling over \$5.85 billion. She also reported that contributions were up 23% from the previous year.

- Maryland State Contribution Program Review

Ms. Akins then provided a review of the Maryland State Contribution Program. The inaugural year reflected modest result with 3,084 applications received and resulting in 1,901 eligible applications who received \$475,250 in match funding from the State. This first year experience provided the team with key learnings that were applied in 2018. Highlights included a strategic marketing plan with emphasis described below in the next section of the minutes, the introduction of the secure on-line application process on January 31, 2018 (91% of applications used the on-line system once it was available), and a continued high-touch communication approach using contact center associates to personally reach out to account holders.

Mr. Newman left the meeting at this time.

Future initiatives will include electronic signatures for the TIAF process to eliminate paper from the process, additional account holder capabilities and greater targeted outreach.

Mr. Newman reentered the meeting.

Executive Director's Report

Ms. Layton provided the Executive Director's Report provided as part of the meeting materials.

Ms. Coughlin rejoined the meeting.

Among the topics reviewed were Prepaid College Trust operations, ABLE achievements, RFP/contract matters, marketing, banking, investments and personnel and administrative matters.

Mr. Tharp left the meeting at this time.

Ms. Layton explained that they were investigating the ability to change the Maryland College Investment Plan's minimum account balance to a flat \$25. Currently, the minimum required balance was dependent on several factors including whether an account holder signed up for automatic monthly contributions or was an applicant for State Contribution Program. She reported that the simplification would be implemented as soon as practicable and she would bring back more information at the next meeting.

Mr. Tharp reentered the meeting.

Ms. Layton then presented the State Contribution Marketing Plan. The 2018 State Contribution Program Review handout provided an overview of the program, the 2019 marketing goals, advertising and communications updates and the impact of public relations and social media influencers. The report included information concerning community outreach efforts and partnerships focused on those Maryland areas with the highest poverty rates, which are Baltimore City, the Eastern Shore and Western Maryland. Efforts include the Maryland CASH Campaign, Junior Achievement, information for our Maryland General Assembly partners to share to constituents, as well as to the Maryland Teachers and State Employees Supplemental Retirement Plans and the Maryland State Department of Education for distribution to each local education systems targeting Title I elementary and middle schools and PTA organizations. Additional partners include the Maryland State Educators Association (MSEA), Maryland Public Library System, and the DBM Employee Benefits Division health fairs during open enrollment, and the Port Discovery Children's Museum.

Upon motion duly made and seconded, it was unanimously.

RESOLVED, that the proposed State Contribution Marketing Plan was approved.

Ms. Layton and Ms. Marek lead a discussion on the operational policy surrounding the maximum contribution limit for Maryland 529 plans, noting that the same limit is statutorily tied to the Maryland ABLE program through a cross-reference in the federal tax code. The past leadership of Maryland 529 had interpreted the maximum contribution limit, currently \$350,000, to mean that an account holder could contribute up to a maximum account value of \$350,000, but could not take a distribution thereafter and subsequently add funds back to the maximum value. The old interpretation was not clear on what would happen if market losses brought the value below the \$350,000 limit.

Questions were raised concerning what our policy should be when an account value falls due to a market downturn and the account balance becomes less than \$350k. The Board also discussed an alternative scenario where contributions made to the program were tracked and no contributions could be made once a contribution total reached \$350,000 regardless of overall account value.

The Board requested Ms. Layton and Ms. Marek to put together a recommendation to be reviewed and discussed at the next Board meeting in October.

Ms. Layton then discussed the technology project of moving information on the Banner servers in Atlanta to the Cloud. An MOU with the Maryland Department of Information Technology (DoIT) was signed in early September providing for that agency to lead the transition with a target of mid-November for completion.

The discussion then turned to the replacement of the Banner recordkeeping system for the MPCT. The Board and the Interim Executive Director agreed that the RFP for recordkeeping and program services should be a priority.

Ms. Layton provided an update on a possible alternative office location for Maryland 529. Potential space had been identified at the Baltimore World Trade Center. Additional consultation and information is required to move forward.

The Board requested that the Administration and Personnel Committee convene in the near future to assist with a number of issues. The most critical issues were the need to move forward with the recruitment for the Executive Director position, and the completion of the scope of work for Prepaid recordkeeping and program services.

- Closed Session

RESOLVED, that the Maryland 529 Board moves into a closed session in accordance with Maryland Code, General Provisions §§ 3-305(b)(1) and (13) to discuss personnel matters and receive legal advice.

Ms. Ronk, Mr. Ross, Ms. Akins, Mr. Park, Mr. McAvoy, Mr. Kline and Ms. Layton left the meeting at this time.

The Board returned from closed session.

The Board Chair reported that during the closed session the Board had decided that the Treasurer's office staff would assist in the technical aspects of recruiting for the Executive Director position but took no additional action during the closed session.

There being no further business and upon motion duly made and seconded, it was

RESOLVED, that the Board meeting is adjourned at approximately 1:30 pm.

Approved: _____



Steve Serra

Board Secretary

Date: _____

10/26/18

EXHIBIT LIST

1. Draft Minutes for the June 12, 2018 Regular Board Meeting
2. Audit & Finance Committee Charter
3. MPCT Soundness and Pricing Assumptions
4. ABLE Special Committee Report
5. ABLE Quarterly Report
6. Audit & Finance Committee Report
7. FY20 Maryland 529 Budget
8. August Market Review
9. MCIP Quarterly Report
10. 2018 State Contribution Program Review
11. Executive Director's Report
12. State Contribution Marketing Plan
13. Maximum Account Value Discussion
14. Office Location Update