

**Maryland 529  
Board Meeting Minutes  
OPEN SESSION**

**September 17, 2021  
9:30 AM – 1:30 PM  
Held via GoToMeeting**

**Board Members/Designees Present via  
Conference Call**

Nancy K. Kopp, State Treasurer and Board  
Chair  
Justin Hayes, Maryland Comptroller's  
Designee and Board Secretary  
Carol Beatty, Secretary of Maryland  
Department of Disabilities  
Ellen Herbst, Chancellor of University  
System of Maryland's Designee  
Sam Gallo  
Jessica McClain  
Joanna Pratt  
Peter Tsirigotis

**Board Members/Designees Absent**

Geoffrey Newman, Secretary of Higher  
Education's Designee and Board Vice-  
Chair  
Amalie Brandenburg, Superintendent of  
School's Designee  
Dr. Lisa Weah

**Staff, Representatives and Guests**

Erin Layton, Executive Director  
Bernadette Benik, Chief Deputy Treasurer  
Janaki Kannan, Director of Finance  
Michelle Winner, Director of Marketing  
Bette Ann Mobley, Director of ABLE  
Dan Rambert, Director of Investments &  
Cash Management  
Meghan Marek, Assistant Attorney General  
Maria Dodge, Executive Assistant  
Glenn Ross, Marquette Associates, Inc.  
Dave Smith, Marquette Associates, Inc.  
Lauren Cellucci, Marquette Associates, Inc.  
Dave McAvoy, T. Rowe Price  
Christine Akins, T. Rowe Price  
Sally Reinfenstahl, BNY Mellon  
Amy Williams, GRS  
Lance Weiss, GRS  
James Spark, GRS  
Uzma Dorman, Mitchell Titus  
Steven Baloga, Mitchell Titus  
Scott Shoop, Mitchell Titus

**Maryland 529 Board Meeting**

- **Open Session**

Treasurer Kopp called the meeting to order at 9:36 AM.

- **Approval of Minutes**

Treasurer Kopp asked for comments on the minutes from the June 25, 2021 Board meeting's open session. There being no discussion and upon motion duly made and seconded, it was unanimously

**RESOLVED**, that the minutes for the June 25, 2021 Board meeting's open session are hereby approved.

- **Board Chair Items**

Treasurer Kopp informed the Board that Amalie Brandenburg has left the Maryland State Department of Education to go to the Department of Health and the Treasurer has communicated with Superintendent Mohammed Choudhury regarding the appointment of a new designee or participation on the Board himself. Either Ms. Layton or she will follow up with the Superintendent.

- **ABLE Quarterly Report**

Ms. Mobley provided Federal updates that included more direct guidance from the Social Security Administration regarding a representative payee's ability to direct deposit Social Security payments into an ABLE account on behalf of the account holder. She also reported that the Congressional Budget Office released a score for the ABLE Adjustment Act, which they are hoping will help move efforts toward its passage forward. Advocates are still awaiting a score from the Joint Committee on Taxation (JCT).

Ms. Reinfenstahl, BNY Mellon, presented the quarterly report noting that as of June 30, 2021 there were 452 new accounts. She commented that there has been a steady increase in assets under management, and it is not just a result of investment growth, as a majority of the assets are in cash. Ms. Reinfenstahl summarized that ABLE to Work numbers are up, there is a continued interest in the prepaid cards, and the quarter over quarter number of new funded accounts shows a 58% increase. There was a discussion that Maryland ABLE is setting the standard, particularly in entity representation, that other states are following.

Secretary Beatty and Christina Akins, T. Rowe Price ("TRP"), joined the meeting.

There was a request that there be a refresher on oversight of the entity ALR process at the next Audit & Governance Committee to ensure that the Board members are comfortable with the concept since it is a significant part of the Plan.

Ms. Reinfenstahl reported that the call center is now back to normal operational hours.

- **Administration, Personnel and Finance Committee Report**

Ms. Layton reviewed Committee's list of recommendations to the Board.

Ms. Kannan reported that the only notable item in the Amended FY22 Budget for the Maryland Prepaid College Trust ("MPCT") was the cost for the program manager transition in the first quarter. Treasurer Kopp noted that all Board and Committee Members have the specifics of the changes. There being no discussion and upon motion duly made and seconded, it was unanimously

**RESOLVED**, that the Board approves the Amended FY22 Budget for the Maryland Prepaid College Trust, as presented.

Ms. Kannan presented the MPCT FY23 Budget which reflected the operation fee for the new MPCT program manager along with the reduction on staffing expenses as a result of the transition. There being no further discussion and upon motion duly made and seconded, it was unanimously

**RESOLVED**, that the Board approves the FY23 Budget for the Maryland Prepaid College Trust, as presented.

Ms. Kannan reported that there are no significant changes to the Maryland ABLE Amended FY22 Budget or FY23 Budget other than the increase in the marketing allowance for language translation services for the website. There being no discussion and upon motion duly made and seconded, it was unanimously

**RESOLVED**, that the Board approves the Amended FY22 Budget and the FY23 Budget for Maryland ABLE, as presented.

Ms. Layton summarized the recommendation for a new contribution/distribution allocation method for ABLE. The revised process will allow ABLE account holders more flexibility and more investment options as instead of setting a static ratio with one investment portfolio and/or the cash option and having all moneys flow into and out of an ABLE account in that ratio, an account holder would instead be able to allocate each contribution or each distribution to one or multiple portfolios as they see fit for each transaction. There was a discussion that this change was initiated as a result of what other plans are doing, in addition to data gathered from a customer survey. There being no more discussion and upon motion duly made and seconded, it was unanimously

**RESOLVED**, that the Board approves the Maryland ABLE new contribution/distribution process that would allow participants to directly allocate the proportion of funds to/from their portfolio holdings.

Ms. Winner presented draft Mission/Vision statement(s) for input. The idea is to make the statement more inclusive and reflective of where the Agency is today, as part of the website redesign. There was a discussion regarding the potential inclusion of K-12, whether one statement should include both the mission and vision or two individual statements, potential wording and the Agency's message and focus going forward. Ms. Layton reported that she would take all the comments into consideration and would bring back a revised proposal to the Board in the future.

Ms. Layton presented the proposed Agency Organizational Chart focusing on the plan to have dual coverage for each individual position in order to provide coverage in the event of unexpected personnel loss in the future. There being no more discussion and upon motion duly made and seconded, it was unanimously

**RESOLVED**, that the Board approves the new Organizational Chart, as presented.

- **Audit & Governance Committee Report**

Ms. Herbst reminded the Board that it has delegated the authority to select and approve an auditor for the annual audit to the Audit & Governance Committee.

Ms. Layton recapped for the Board that Agency attempted to procure an annual auditor under the State's master contract list. After review of the recommendation, the Committee elected to leverage the State's auditor Clifton Larson Allen ("CLA") to complete the annual audit. CLA subcontracted the engagement to Mitchell Titus ("MT"), which was approved by the Audit and Governance Committee on August 23, 2021.

MT is scheduled to complete the college savings plans' audits by the end of October. As of the prior week, MT had also received approval from CLA to complete the ABLE audit as well. The statutory deadline for completion of the ABLE audit is six months after the reporting period (i.e. the fiscal year), and the Agency is targeting to have the ABLE audit completed for approval at the November or December Board meeting. Also, the Agency has started the process for a full Request for Proposal for next year's audit. Ms. Herbst thanked Ms. Benik for her persistence and assistance in the audit engagement.

Ms. Layton reported that the Agency has formally requested an opinion from the Office of Attorney General (OAG") regarding application of the Maryland Abandoned Property Act. The OAG has acknowledged receipt and she will report back when she has an update. Ms. Marek indicated that the OAG's goal is to respond within six months.

Upon a duly made motion that there should be a Board resolution acknowledging Ms. Benik's extraordinary efforts in getting CLA to agree to this year's audit and the subcontracting to MT, which was seconded, it was unanimously

**RESOLVED**, that the Board acknowledges Ms. Benik's extraordinary efforts in getting Clifton Larson Allen to agree to this year's audit and the subcontracting to Mitchel Titus.

- **Investment Committee Report**

Ms. Pratt summarized the list of the recommendations of the Investment Committee.

Mr. Rambert presented the first recommendation that the Board approve the transition of the current small-cap manager into the mid-cap asset class. After discussion and upon motion duly made and seconded, it was unanimously

**RESOLVED**, that the Board approves the reclassification of Kayne Anderson Rudnick Investment Management from a small cap to a mid-cap asset class manager.

Mr. Rambert summarized the staff's recommendation for the benchmarks for the MPCT. After discussion and upon made and seconded, it was unanimously

**RESOLVED**, that the Board approves designating the Bloomberg Barclays US Treasury Inflation-Linked Bond Index as the benchmark for the newly implemented infrastructure allocations. This benchmark will also be applied to the overall Maryland Prepaid College Trust benchmark for the infrastructure component.

Mr. Rambert presented the request for approval of Portfolio D as new Asset Allocation Policy. After discussion and upon made and seconded, it was unanimously

**RESOLVED**, that the Board approves Portfolio D as the new Asset Allocation Policy.

Mr. Tsigotis left the meeting.

Mr. Rambert reported that staff recommends approval of new Policy Benchmarks for specific asset classes noting that the new benchmarks will be better aligned with each asset class and for the total policy benchmark. The IPS materials reflect the new asset allocations and benchmarks. After discussion and upon motion duly made and seconded, it was unanimously

**RESOLVED**, that the Board approves the new Policy benchmarks for the asset classes, noting that having the asset class benchmarks will be multiplied by the target policy weights to create the overall Policy benchmark.

Mr. Rambert noted the GRS recommendation contains no changes to the actuarial assumptions for valuing the MPCT. After discussion and upon motion duly made and seconded, it was unanimously

**RESOLVED**, that the Board approve GRS's recommended assumptions, as presented.

Mr. Rambert presented a draft of the MPCT IPS changes that reflect the new Policy benchmarks for the Asset Classes. There being no discussion and upon motion duly made and seconded, it was unanimously

**RESOLVED**, that the Board approve the changes to the Maryland Prepaid College Trust's Investment Policy Statement to reflect the new Policy benchmarks for the Asset Classes.

Mr. Tsigotis joined the meeting.

There was a request to have the Audit & Governance Committee review the delegation of authorities to see if the staff can be delegated more of the administrative tasks from the Board. It was decided that the Committee will review the issue with the Assistant Attorney General and ensure that the Bylaws and other governing documents allow for such actions.

The final recommendation of the Investment Committee is that the Board approve a reduction in fees by TRP across all portfolios. After discussion and upon motion duly made and seconded, it was unanimously

**RESOLVED**, that the Board approve the reduction of T. Rowe Price's fees from 5bps to 3bps across all portfolios using T. Rowe Price funds effective in April 2022.

- **Program Manager Updates**

Mr. McAvoy, TRP, highlighted the July 2021 Maryland College Investment Plan's ("MCIP") report, noting that the market is driving strong spending and that the Plan is at a record high with \$8.7 billion in assets and over \$525 million in new contributions.

Ms. Williams, GRS, joined the meeting.

Mr. McAvoy reported that the designed process of matured portfolios being rolled into the Portfolio for Education every three years has been completed this year without any problems. This portfolio has approximately \$1.1B in assets and 27,000 beneficiaries.

Mr. Weiss, GRS, joined the meeting.

Mr. McAvoy provided an update on the State Contribution Program ("SCP"). In the 5<sup>th</sup> year of the program, TRP wants to make sure they help drive the program in underserved communities. He summarized the 2021 program changes, which include new limitations of two awards per year per beneficiary, a new tax filing deadline (July 15), and a lifetime cap per account holder of \$9K awards, noting the \$10M budget for this year. TRP is trying to reach out earlier to account holders regarding the \$9K lifetime limitations. Pre-Income verification applications are at 34,805, which will be reduced after the Comptroller's office completes its review. Applications show growth in St. Mary's, Prince Georges and Frederick Counties due to the success of marketing with Ms. Winner, TRP's marketing team, and Hatcher via paid ads and geo-marketing targets.

Treasurer Kopp informed the Board and Ms. Layton and she recently met with Delegate Pena Melnyk and Ms. Emma Nunez regarding Spanish speaking communities and the opportunity for growth in that area. Ms. Layton agreed and reminded the Board that after the current website redesign is completed, the Agency already has budgeted a Spanish translation. She also reminded them of the need to translate the Disclosure Statements to ensure an individual has all of the appropriate tools needed to open an account.

Ms. Layton informed the Board of a new development in the opening of MCIP accounts as part of the State Contribution Program. Seemingly to avoid the \$9K lifetime cap per account holder, custodial accounts are being opened in an increased percentage on which a minor is the account holder but with a custodian in control of the account until the minor reaches the age of majority. She has been in communication with various legislators who feel very strongly about this program. It is under review and she will report back with more information when it becomes available.

Mr. McAvoy concluded that the State funding request for all applications filed (prior to the review for income and contribution verification), would total approximately \$13.9 million. Ms. Layton noted that she is in communication with both the Department of Budget and Management

and the Maryland Higher Education Commission regarding the numbers. There was a discussion that all early indications are that this program is successful and it will be interesting to look back in a few years through case studies to see the broader impact of the program.

Mr. McAvoy provided an update on the implementation of the Vanguard ESG product as the new investment to be added to the MCIP lineup. He provided an overview of the process so far and closed by informing the Board that the new expected launch date has been pushed to February 2022. Ms. Layton explained that this is the first non-TRP investment to be added to the MCIP line-up and they have all learned about the steps involved in the implementation. She will keep the Investment Committee updated.

Ms. Akins, TRP, informed the Board that she is transitioning out of her current role to lead a different organization within TRP. Phil Korenman will be coordinating with her and Ms. Layton in determining Ms. Akins' successor. She will be retaining management responsibility until the new person is on board and will be assisting the new team leader. She thanked the Board, noting that it had been rewarding and an honor to serve on behalf of the college savings program and account holders. Treasurer Kopp thanked Ms. Akins and told her that they were looking forward to see what she does in the future. Ms. Layton indicated that she will keep the Investment Committee apprised of the transition.

- **GRS Soundness Valuation**

Ms. Williams, GRS, explained that the purpose of the actuarial valuations is to measure the updated financial position of MPCT as of June 30, 2021. She noted that the key assumptions of a 6% return, calculations of the weighted average tuition for 2021-2022, bias loads, differential tuitions and a 6% fee increase were used.

She reviewed changes in plan provisions that will occur November 1, 2021, which will include a change to several calculations, namely the rollover, refund and minimum benefits calculations. Ms. Layton commented that this is the transition change that has already been voted on and approved. Ms. Williams noted that this interest crediting change will have impact on the valuation and shows the preliminary actuarial surplus is \$528.7M and the funded ratio at approximately 162%.

Mr. Weiss, GRS, reviewed the historical actuarial valuation results, which reflect a well-funded position. The change from 181% to 162% funded is based on the credit interest changes.

Ms. Williams reviewed pricing options for the upcoming enrollment period. The same key assumptions from the actuarial valuation would be used in pricing with the addition of expense loads and processing payment fees as additional variables to be considered by the Board. Ms. Layton summarized Ms. Williams presentation noting that the variables for the Board to consider include:

- tuition and fee assumptions (which the Board already agreed upon),
- the pricing load,
- the management expense,

- what the desired overall effect on pricing should be next year (increase, decrease, maintain same pricing),
- the expected investment returns, and

the current funded status in conjunction with a potential rebate.  
Mr. Bagola, MT, joined the meeting.

There was also a discussion that the pricing option results should go to the Audit & Governance Committee for review, but that all Board Members be invited to that meeting. Ms. Herbst agreed that this could come before the Audit & Governance Committee. There being no discussion and upon motion duly made and seconded, it was unanimously

**RESOLVED**, that the Board approves requesting the actuary, GRS, to run five scenarios and bring the results to the Audit & Governance Committee for review, with all Board Members invited to attend that Committee Meeting.

- **Executive Director Report**

Ms. Layton provided an update on Agency operations.

Mr. Rambert reported that the annual Morningstar MCIP rating review call went well and that the rating criteria changes implemented last year will apply. As always, pricing is an issue as active management is more costly than passive management. The Agency has submitted a 30-page document to Morningstar and it is expected that the rating will be out mid-late October as usual.

- **Annual Auditor Update**

Ms. Layton introduced the Uzma Malik Dorman, Stephen Baloga and Scott Shoop from Mitchell Titus (“MT”). Ms. Malik Dorman provided the background of the team members noting that she has 25 years’ experience and has worked with the DC government on their 529 Plan, Mr. Baloga has worked with the Maryland 529 Plan in the past as well as the Pennsylvania 529 Plan, other state, local and federal governments. She also mentioned that there will be additional team members with Mr. Keon Stevenson being the engagement manager.

Ms. Malik Dorman presented the overview of the objectives, which include auditing all three plans, with ABLE being done in the near future. A list of information needed has been uploaded to their portal and things are moving along. They will be able to meet the established deadlines and any issues or materials facts will be communicated in writing, in a timely manner, as they occur. She explained the risk assessment approach to the audit and wanted to know if the Board had any areas of concern. There will be continuous communication and their procedures all meet auditing standards. They will focus on process, audit reports, service providers, process, payments, etc. The team will look for any fraud considerations such as misappropriated funds and misreporting. The audit will include brainstorming with management and the Audit Committee, reviewing journal entries, analytics and the reporting process. The timetable should not be an issue as a large part of their practice focuses on government entities.

- **Closed Session**

Ms. Marek requested that the Board move into closed session to discuss matters not subject to the Open Meeting Act, including a question of disclosure in response to a Public Information Act request, a pending employment claim, and to seek the advice of counsel on same. Upon motion duly made and seconded, the Board moved into closed session.

- **Open Session**

At 1:06 PM, the Board entered back into an open session and Ms. Marek summarized the events that occurred in closed session, which included the Board approving closed session minutes from the June 25, 2021 Board meeting. Ms. Layton had provided an update on specific staff members and their retention bonus eligibility, and overall satisfaction with customer service tickets as we approach the transition blackout period. The Board also received advice of counsel with respect to a pending PIA request and confirmed the use of the deliberative process exception. Finally, the Board received advice of counsel with respect to a newly-received claim of disability discrimination.

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

**RESOLVED**, that the Maryland 529 Board meeting is adjourned at 1:07 PM.

Approved:  Date: 11/15/2021  
Justin Hayes, Board Secretary

Exhibit List

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|---|---|
| 1A- Agenda  | 7A- MPCT Small Cap Manager Sub-Asset Class Change |
| 1B- Minutes Board Meeting 6/25/21 Draft                         | 7B- MPCT Infrastructure Benchmark                 |
| 3- ABLE Quarterly Report  | 7C1- MPCT Asset Allocation Summary                |
| 4- Administration Personnel & Finance Committee Recommendations | 7C2- MPCT Asset Allocation                        |
| 4A- MPCT Revised FY22 Budget & FY23 Budget                      | 7D- MPCT Policy Benchmark Changes                 |
| 4B- ABLE Revised FY22 Budget & FY23 Budget                      | 7E- GRS 2021 Assumption Summary                   |
| 4C- ABLE Direct Allocation                                      | 7F- 2021 MPCT Investment Policy Statement - Draft |
| 4D- Mission and Vision - Proposal                               | 7G- MCIP Fee                                      |
| 4E1- 2021 Org Chart Memo  | 8A- MCIP Board Report 2021 (July Data)            |
| 4E2- 2021.11.01 Org Chart                                       | 8B- State Contribution Program Update             |
| 5- Audit & Governance Committee Report                          | 9- GRS Actual Valuations                          |
| 7- Investment Committee Recommendations                         | 10A- Executive Director's Report                  |
|   | 10B- MD529 Project List                           |
|   | 10C- MD529 Procurement List                       |
|   | 11- Mitchell Titus Presentation                   |