

**Maryland 529
DRAFT MEETING MINUTES**

**November 16, 2018
10:40 AM – 12:15 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
Justin Hayes, Maryland Comptroller's Designee (by phone)
Keith Persinger (by phone)
Charles Tharp

Staff, Representatives and Guests

Erin Layton, Interim-Executive Director and Director of Investments and Cash Management
Bernadette Benik, Chief Deputy Treasurer
Meghan Marek, Assistant Attorney General
Christine Ronk, Executive Assistant
Glenn Ross, Marquette Associates
Dave McAvoy, TRP

Board Members/Designees Absent

Carol Beatty, Secretary of Maryland Department of Disabilities
Pamela Purcell, Chancellor of University System of Maryland's Designee
Carol Coughlin
Peter Tsirigotis
Dr. Lisa Weah

Maryland 529

Prior to a quorum being present and a meeting convened, Ms. Marek briefed the Board on the status of proposed federal tax legislation. She reported that it was unlikely any legislation would pass by the end of year; some proposals include an expansion of qualified expenses under 529 programs to include apprenticeship training and home school expenses.

Ms. Layton also briefed the Board on the Executive Directors Report and the single bid received for the request for proposals for a marketing firm.

With Justin Hayes joining the meeting by phone, a quorum was present and the meeting could be called to order.

- Approval of Minutes (Exhibit 1B)

Treasurer Kopp asked for comments on the minutes for the October 26, 2018 Board meeting. Hearing one request for a correction of the Audit, Finance and Investment Committee name, and upon motion duly made and seconded, it was unanimously

RESOLVED, that the minutes for the October 26, 2018 Board meeting are hereby approved as revised.

- Bylaws

The Board discussed the proposed revisions to the Bylaws. The Board also discussed adopting emergency procedures to be used in the event that certain circumstances called for action prior to it being feasible to convene a quorum of the Board. In particular, the Board discussed the possibility, if remote, of extreme financial risk, among other potential triggers. The Board acknowledged the need for emergency procedures to be used which would include convening a meeting, or call, of the Executive Director, Board Chairperson, and other appropriate officers which may include the Director of Investments and Cash Management or an appropriate Committee Chair followed by prompt notice to the full Board of any action taken.

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

RESOLVED, that the Bylaws are approved as amended with further revision forthcoming concerning emergency procedures.

- Governance and Process

The Board discussed the separation of duties between the agency staff, in particular the Executive Director, and the Board with respect to certain personnel and procurement matters. The Chairperson emphasized that the Executive Director is delegated day-to-day personnel management. The discussion included how some personnel decisions may be considered significant and such issues should be referred to the Committee on Administration and Personnel prior to action being taken.

- Broker-Dealer Plan Discussion

Ms. Layton introduced the topic by reminding the Board of the enabling legislation allowing the Board to implement a Broker-Dealer Plan and asked for additional guidance on whether the Board believed additional action should be taken regarding such implementation at this time.

The Board reviewed the 529 Market Report produced by AKF Consulting and considered current 529 specific and general investment trends. It was noted that 80% of new contributions are being directed to direct-sold plans and that fees averaged 113 basis points for adviser-sold plans as opposed to 39 basis points for a direct-sold plans.

Mr. McAvoy noted that advisers are not cut out of the process by being a direct-sold plan. He reported that the MCIP sees approximately 25% of new accounts being opened with advisers, though they are not compensated as the MCIP is a direct-sold plan.

The Board reached a consensus that there was concern regarding opening a plan that would likely come with higher fees. As underlying investment behaviors by account holders throughout the countries were trending significantly toward direct-sold plans, no additional action should be taken at this time to implement a Broker-Dealer Plan.

- Executive Director's Report
- State Contribution Program

Ms. Layton gave an update on the State Contribution Program. She reported that to fully fund the eligible accounts in calendar year, approximately \$6.3 million would be needed. The current allocation is \$3 million. Ms. Layton had been reaching out to the appropriate government offices to see if further funding would be provided for the program this calendar year.

Ms. Marek discussed some revisions to the affidavit which is included with the State Contribution Program application for applicants that did not have Maryland taxable income for the previous calendar year. Specifically, there was concern that some individuals who had simply not been filing taxes would believe they were eligible for the State Contribution. Counsel had worked with the Comptroller's attorney to add language to the affidavit requiring people to certify that they in good standing with any tax reporting or payments owed to the State.

- K-12 Implementation

Ms. Layton also confirmed what strategic approach the agency should be taking with respect to the expansion of the definition of qualified higher education expenses to include tuition for elementary and secondary schools. She explained that while the agency had not been heavily marketing for account holders to open or contribute to plans for this purpose, information was provided when asked and flyers had been provided for distribution to ensure accurate information was available. The Board confirmed that this should remain Maryland 529's approach.

- 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 seek advice of counsel.

Dave McAvoy, Glenn Ross, and Christine Ronk left the meeting at this time.

The meeting was reopened at 12:30PM and it was noted that no action was taken.

- Executive Director's Report (Cont.)
- Recordkeeping Transition

Ms. Layton reported that DoIT continued to work through the transition of data from Definition 6 to cloud-based storage with Amazon Web Service (AWS). She reported that the transition had been going smoothly and they were hopeful the project would be completed by early to mid-

December. She also noted that DoIT had recently hired someone with Banner experience and Ms. Layton was hoping the new employee could be a resource for Maryland 529 when needed.

- Banking

The Board requested that with respect to the outstanding balance, they'd like additional commentary from management with any additional background of note.

- Personnel

Ms. Layton updated the Board on recruitment efforts including the hiring of a new accounting manager and continued search for the account reconciliation, procurement officer and executive assistant positions.

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

RESOLVED, that the Board meeting is adjourned at 12:50 pm.

Approved: _____
Steve Serra
Board Secretary

Date: _____

Exhibit List

1. Board Meeting Agenda
2. Draft Minutes for the October 26, 2018 Regular Board Meeting
3. MD 529 Bylaws - Redline
4. MD 529 Bylaws - Final
5. MD 529 Bylaws – Attachment A
6. MD 529 Bylaws – Attachment B
7. MD 529 Bylaws – Attachment C
8. Broker-Dealer Enabling Legislation
9. Broker-Dealer Fiscal Note
10. AKF Consulting 529 Market Report
11. Morningstar 529 – College Savings Plan Landscape
12. Executive Director's Report
13. State Contribution Affidavit Form
14. K-12 and MCIP
15. K-12 Flyer
16. Board Meeting Schedule - 2019

