

**Maryland 529
MEETING MINUTES**

**June 12, 2018
9:30 AM – 1:10 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 (By phone)
Carol Coughlin (By phone)
Keith Persinger
Pamela Purcell, Chancellor of University
System of Maryland's Designee
Charles Tharp
Peter Tsirigotis
Dr. Lisa Weah

Staff, Representatives and Guests

Erin Layton, Interim-executive Director
and Director of Investments and
Cash Management
Bernadette Benik, Chief Deputy
Treasurer
Bette Ann Mobley, Director of Maryland
ABLE
Michelle Winner, Marketing Director
Meghan Marek, Assistant Attorney
General
Christine Ronk, Executive Assistant
Glenn Ross, Marquette Associates
Christine Akins, T. Rowe Price
Investment Services, Inc. (TRP)
Wayne Park, TRP
Michelle Palmer, TRP
Shurid Sen, TRP
Jim Balsan, BNY Mellon
Nick Kierstead, BNY Mellon

Maryland 529

• Approval of Minutes

Treasurer Kopp asked for comments on the minutes for the regular April 24, 2018 Board meeting. There were minor revisions requested. Upon motion duly made and seconded, it was unanimously

RESOLVED, that the minutes for the regular April 24, 2018 Board meeting are hereby approved with the noted revisions.

- Board Chair's Items

Treasurer Kopp confirmed the updated Committee assignments which were as follows:

Committee on Administration and Personnel:

- Geoff Newman, Chair
- Carol Coughlin
- Justin Hayes
- Steve Serra
- Dr. Lisa Weah
- Secretary Carol Beatty

Committee on Audit and Finance:

- Charles Tharp, Chair
- Pam Purcell
- Keith Persinger
- Peter Tsirigotis

Special Committee on ABLE:

- Secretary Carol Beatty, Chair
- Justin Hayes
- Charles Tharp

It was noted that under the Bylaws, the Chair of the Board is an ex officio member of each of the Committees.

Treasurer Kopp shared that the Board's bylaws needed updating to reflect the current status of the Board Committees and the details relative to Committee Charters. She asked that Board members be prepared to discuss specific updates in the near future. The Audit & Finance Committee Charter will be discussed and presented for approval at the September 2018 Board meeting.

Treasurer Kopp next explained that the Office of Legislative Audits (OLA) would be conducting a review of the agency beginning in July for the period of November, 2014 through June 30, 2018. She discussed the general process and the most-recent results of an OLA Audit of the agency, the June 2015 Audit Report. The last report was mostly positive but addressed 2 audit findings which staff believes have been resolved. The report was provided in its entirety to the Board members prior to the meeting, and the Board was asked if they had any questions concerning the report. There were no questions.

The Board discussed its role in the audit process, including how specific matters may be referred to one of the Committees during the audit process or to track resolution of any findings following the audit.

- Marketing Review

Michelle Winner (MD529) and Michelle Palmer (TRP) provided a FY18 marketing review and proposed the FY19 marketing plan. Ms. Winner also reviewed the FY18 budget and the FY19 budget with the Board.

Dr. Weah, Jim Balsan and Nick Kierstead entered the meeting at this time.

The Board discussed the changing 529 landscape with the allowance of expenses for elementary or secondary school tuition. It was agreed that plan usage and website traffic would be monitored to gain understanding of how account holders and prospective account holders are utilizing their benefits. The Board also discussed the recent changes in the plans names to include a reference to Senator Edward J. Kasemeyer. The Board acknowledged the difficulty that could be involved with certain media pieces that include a time or word limit. The marketing team was encouraged to include the reference as much as practicable.

Upon motion duly made and seconded, it was unanimously

RESOLVED, that the Board adopts the recommendation for the Marketing and Public Relations Plan for 2018-2019.

Upon motion duly made and seconded, it was unanimously

RESOLVED, that the Board adopts the FY19 Budget for Marketing.

Michelle Winner left the meeting at this time.

- ABLE Special Committee Report

Charles Tharp provided an update on behalf of Secretary Beatty, ABLE Committee Chair. The Committee met and reviewed the proposed changes to the Maryland ABLE Program Disclosure Booklet. These changes have been proposed to align Disclosure Booklet with the changes to federal law enacted through the Tax Cuts and Jobs Act 2017 and Maryland HB 782/SB 550.

In addition, BNY Mellon staff provided a demonstration and overview of the new online gifting platform that will launch after the June Board meeting. The Committee also reviewed the 18-Month strategic marketing and communications plan and Partnership Policy as well as partnership proposals from the Special Olympics of Maryland and Pathfinders for Autism. The ABLE Committee recommends Board approval of the document outlining the proposed changes to the Maryland ABLE Program Disclosure Program Booklet that will be presented separately for approval during this meeting.

The Board asked BNY to discuss the returns for the Cash Option as this option is utilized by most account holders. Mr. Balsan responded that BNY had reviewed this

option and was increasing the return to a rate equal to the upper end of the Federal Funds target rate range, set from time to time by the Federal Reserve's Federal Open Market Committee ("FOMC"), less 15 basis points. Previously, the return had been a rate equal to 75% of the upper end of the Federal Funds target rate range.

- Audit & Finance Committee Report

Pam Purcell provided the Audit and Finance Committee update for her last meeting as the Committee Chair.

Janaki Kannan was introduced as the new Director of Finance. Interim-Executive Director, Erin Layton, reported on the FY18 spending to date.

MPCT secondary benchmarks that had been reviewed by the Audit and Finance Committee were presented to the Board as alternative benchmarks that may be appropriate for the following fund managers in the Maryland 529 Prepaid College Trust: Mackay Shields High Yield; PENN High Yield; Franklin Templeton Emerging Market Debt; Dodge & Cox US Equity; and Martingale Low Volatility. It was explained that these would primarily serve as informational benchmarks.

Upon motion duly made and seconded, it was unanimously

RESOLVED, that the Board adopts the MPCT Secondary Benchmarks as recommended by the Audit and Finance Committee.

Glenn Ross, Marquette Associates, presented a report on the 1st quarter market environment. Mr. Ross also presented the 1st quarter investment review of the Maryland Prepaid College Trust (MPCT), the Maryland College Investment Plan and the Maryland ABLE program.

- Maryland College Investment Plan

T. Rowe Price representative, Christine Atkins, provided the update on the Maryland College Investment Plan (MCIP) as of April 2018. Ms. Atkins reported that assets were up 12.5% over the same period last year with assets now totaling over \$5.6 billion. She also reported that the new account establishment was up 43% from last year and that they continue to see a positive trend in contributions. Ms. Atkins also briefly discussed the State Contribution Program including that applications had significantly increased this year and that more details would be provided once applications had been screened for sufficiency.

- Executive Director's Report

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

Among the topics reviewed, she reported that the DoIT MOU was still pending, but active efforts were underway to get an agreement finalized in the next couple of weeks. The Board was asked to vote on moving forward with the MOU.

Upon motion duly made and seconded, it was unanimously

RESOLVED, that the Board adopts the recommendation to secure services from DoIT to transition the Banner servers to the Cloud.

A request to update the Certificate of Incumbency for Maryland 529 by adding Janaki Kannan as an authorized signature was made.

Upon motion duly made and seconded, it was unanimously

RESOLVED, that the Board approves the addition of Janaki Kannan to the Certificate of Incumbency for Maryland 529.

Ms. Layton also noted that the enrollment period extension, that ended May 31, was successful for the Prepaid College Trust and added 226 new accounts. She also noted that the RFP that is to be sent out for marketing is still pending publication and the staff is working with the Treasurer's office to get this completed. Another item requiring the Treasurer's office is the bank contract renewal for U.S Bank. That process is underway and being handled under the State contract process and procurement.

Next Ms. Layton discussed the proxy voting required for T. Rowe Price from Maryland 529. Ms. Layton noted that she provided copies of the items to be voted on and that none were overly substantive in the way of changing processes. Because this is new, Ms. Layton wanted to highlight the request and note for the Board the way MD529 intended to vote the proxies. Discussion on the process occurred and the Board requested that the Audit and Finance Committee further review the process at their next meeting before Ms. Layton submits the votes.

With regard to administrative matters, Ms. Layton noted that there has been progress with staffing and that the Director of Finance, Janaki Kannan, began on May 9th. Interviews were completed for the Accountant Advanced position in the Accounts Payable role, and the job has been offered and accepted by the candidate. ABLE just recently completed interviews and has selected a candidate to fill the Outreach and Communications position.

The State Contribution Program was also discussed and it was noted that an application spike at the end of the application period was likely attributable to a third-party advertisement on how the Program could be used for tuition for elementary or secondary school (K-12 tuition). The Board also reached a consensus that applications received on June 1 would be accepted, but that the enrollment period should end on May 31 next year, and approved allowing applicants to cure minor application errors through July 31, 2018.

- Legal Update

Megan Marek, Assistant Attorney General, provided the Board with a legal update which included the MCIP, MPCT, and ABLE Plan Disclosure Updates.

Upon motion duly made and seconded, it was unanimously

RESOLVED, that the Board adopt the language for the MCIP, MCPC and ABLE Plan Disclosure updates.

- 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, Ms. Palmer, Mr. Sen, Mr. Balsan, and Mr. Kierstead left the meeting at this time.

The Board returned from closed session.

The Board Chair reported that during the closed session the Board had received legal advice regarding certain personnel issues and that the Board had voted to deny two appeals of employee discipline and to grant the Executive Director additional authority related to the termination of a certain employee.

RESOLVED, that the meeting is hereby adjourned.

Approved:



Steve Serra
Board Secretary

Date:

9/20/18

EXHIBIT LIST

1. Agenda for the September 20, 2018 Regular Board Meeting
2. Draft Minutes for the June 12, 2018 Regular Board Meeting
3. Committee Assignments
4. Bylaws and Charter Review and Discussion
5. OLA Audit Process Discussion

6. FY18 Review and FY19 Plan
7. FY18 and FY19 Budget Review and Plan
8. ABLE Special Committee Report
9. ABLE Quarterly Report – BNY Mellon
10. Audit & Finance Committee Report
11. MPCT Secondary Benchmarks
12. Capital Markets Review
13. MPCT Investment Review
14. MCIP Investment Review
15. ABLE Investment Review
16. FY18 Budget Update
17. Maryland College Investment Plan
18. MCIP Quarterly Report
19. Executive Director's Report
20. DoIT MOU Approval
21. Certificate of Incumbency
22. MCIP, MPCT, and ABLE PDS Updates