

**Maryland 529  
Board Meeting Minutes  
OPEN SESSION**

**October 29, 2021**

**9:30 AM – 1:30 PM**

**Held via: Zoom Video Conference**

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

Nancy K. Kopp, State Treasurer and Board  
Chair  
Geoffrey Newman, Secretary of Higher  
Education's Designee and Board Vice-  
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

**Staff, Representatives and Guests**

Erin Layton, Executive Director  
Bernadette Benik, Chief Deputy Treasurer  
Janaki Kannan, Director of Finance  
Dan Rambert, Director of Investments  
Michelle Winner, Director of Marketing  
Meghan Marek, Assistant Attorney General  
Maria Dodge, Executive Assistant  
Glenn Ross, Marquette Associates, Inc.  
Dave Smith, Marquette Associates, Inc.  
Dave McAvoy, T. Rowe Price  
Sally Reinfenstahl, BNY Mellon  
Alexandra Cataldo BNY Mellon  
Tom Malone, BNY Mellon  
Uzma Malik-Dorman, Mitchell Titus  
Scott Shoop, Mitchell Titus  
Heather Chisholm, Intuition

**Board Members/Designees Absent**

Mohammed Choudhury, Superintendent of  
Maryland State Department of Education  
Dr. Lisa Weah

**Maryland 529 Board Meeting**

Treasurer Kopp called the meeting to order at 9:30 AM.

- **Approval of Minutes**

Treasurer Kopp asked for comments on the open session minutes from the September 17, 2021 Board meeting. There being none and upon motion duly made and seconded, it was unanimously

**RESOLVED**, that the minutes from the open session of the September 17, 2021 Board Meeting are hereby approved.

Treasurer Kopp asked for comments on the closed session minutes from the September 17, 2021 Board meeting. There being none and upon motion duly made and seconded, it was unanimously

**RESOLVED**, that the minutes from the closed session of the September 17, 2021 Board Meeting are hereby approved.

- **Board Chair Items**

Treasurer Kopp informed the Board she was planning to retire at the end of the year, acknowledged the tremendous progress over the years of the Board and the Agency and wished the Board Members and staff good luck in the future.

- **Mitchell Titus Annual Audit Review**

Treasurer Kopp thanked Mitchell Titus (“MT”) for completing the Maryland 529 audit timely.

Ms. Malik-Dorman, MT, reported that MT has issued a clean and unmodified opinion for both plans’ audited financial statements. She noted that the engagement consisted of an audit of the Maryland Prepaid College Trust (“MPCT”) and the Maryland College Investment Plan (“MCIP”). MT reported that they looked at the internal controls of both organizations and did not find any deficiencies. MT confirmed that the issued reports are in accordance with the governmental audit requirements for the fiscal statements and internal controls. MT informed the Board that they received cooperation from management and from T. Rowe Price (“TRP”) and there was constant communication, which allowed the deadline to be met. There are no exceptions identified in conjunction with the procedures performed.

There was a suggested change to the presentation as compared to past financial statements that was adopted by management. Of the total Investments, 93% have been reclassified from Current Assets to Noncurrent Assets to reflect the anticipated use of the assets to pay Tuition Benefits in the future (after one year). Previously, because the assets could be converted to cash within a year, if necessary, they had been classified as Current Assets. But as the Trust does not anticipate such liquidation, the auditors and staff agreed they should be reclassified as Noncurrent.

MT stated that there was no fraud to report and no misstatements or unusual transactions. They received management’s representation letter and found no non-compliance with laws and regulations. They reviewed the annual report, as part of their requirements to look at other documents, and found no issues.

After taking questions from the Board with respect to ensuring quality control in a shortened timeframe, Treasurer Kopp thanked MT for taking on a lot of work.

Ms. Layton updated the Board that the Agency intended to post its Request for Proposal for an annual auditor early next year.

- **Audit & Governance Committee Report**

Ms. Herbst reported that although there were no votes, due to lack of a quorum at the Audit & Governance Committee meeting last week, there was detailed discussion regarding the topics that are before the Board today.

Ms. Layton presented the various scenarios for the pricing for the upcoming open enrollment noting the key assumptions.

Ms. Layton reviewed Exhibit II and III, which provided scenarios by contract type, operating expenses, and pricing loads. There was discussion on historical pricing changes, current infrastructure to support pricing changes, operating expenses, and discussion on the funded status and potential rebate for account holders. Ms. Herbst reported that the Committee spent time talking about the funded status and debating the pros and cons of pricing changes and how to address account holder inquiries. It was noted that 2.5% is not reflective of the actual operating expenses incurred by the Agency to oversee the Prepaid Trust and that a change to 5% was requested; but it was decided that any expense changes should also be done after the transition with the understanding that it does need to be looked at in addition to other pieces of contract pricing.

Mr. Newman commented that he's hesitant to push off a decision on pricing as the pricing change will get worse the longer it is delayed. After discussion, Ms. Layton agreed to prepare a managerial timeline and project plan, which she will bring back to the Board. The goal is to have the project ready for discussion and decision in time for pricing next year. There being no more discussion and upon motion duly made and seconded and with a vote of eight to one, it was

**RESOLVED**, that contract pricing and operating expenses for 2021-22 remain the same as the pricing for 2020-21.

Mr. Newman voted nay.

Ms. Herbst thanked Ms. Layton and her team for the creation of the Delegation of Authority list. Ms. Herbst asked Ms. Pratt to present the investment-related changes. Ms. Pratt reported that she is in support of the changes proposed and that because Board members are not directly conducting the due diligence with respect to manager choices, the delegation to staff is appropriate. The staff would use the current Investment Policy Statements as a guideline for any investment changes, which Ms. Layton noted has fairly tight ranges for each category of investments as well as the subcategories. Notice of the hiring and termination of managers will be given to the Board in advance, unless it is an emergency situation. Ms. Herbst added that under this delegation and with legal consultation, staff would also be allowed to update the IPS and Disclosure Statement with regard to investment manager changes. There being no more discussion and upon motion duly made and seconded, it was unanimously

**RESOLVED**, that the Board approves the changes to the Delegation of Authority Table, as presented pertaining to investment changes.

- **MD529 Annual Reports & Disclosure Statements**

Ms. Winner presented the MPCT Disclosure Statement first, reminding the Board that many changes had been adopted recently in a Disclosure Statement Update and the document before them for approval incorporated those earlier revisions. After discussion, and upon motion duly made and seconded, it was unanimously

**RESOLVED**, that the Board approves the Disclosure Statement for the Maryland Prepaid College Trust (“MPCT”), including the pricing approved in the earlier vote, which will be added to the final version.

Mr. McAvoy presented the MCIP Disclosure Statement and account holder cover letter for approval. Mr. McAvoy indicated that like the MPCT, the MCIP had only minor updates for this year’s Disclosure Statement, including fund allocation updates, the September 30, 2021 performance numbers, the fee structure and cost changes. After discussion, and upon motion duly made and seconded, it was unanimously

**RESOLVED**, that the Board approves the Disclosure Statement for the Maryland College Investment Plan (“MCIP”).

Ms. Layton then reviewed the 2021 Annual Report. She commented on the financial statement reclassification from current to non-current assets as required by the auditors.

Ms. Winner summarized the other Annual Report adjustments to be made prior to finalization, including adding the GRS report, the signed MT opinion, some pagination and table of contents changes. There was discussion that the College Cost Review section should be reviewed for whether its inclusion is appropriate in the Annual Report. There being no further discussion, and upon motion duly made and seconded, it was unanimously

**RESOLVED**, that the Board approves the Annual Report, as presented.

- **Investment Committee Report**

Ms. Pratt reported that the Committee discussed the need for an annual allocation review.

Ms. Pratt noted that as part of recent approvals, there needs to be a benchmark for private debt. The recommendation is to designate the Credit Suisse Leveraged Loan Index as the benchmark. There being no discussion, and upon motion duly made and seconded, it was unanimously

**RESOLVED**, that the Board approves using Credit Suisse Leveraged Loan Index as the benchmark for the Private Debt allocation.

Mr. Rambert presented the recommendation that Granahan Investment Management be hired as a small cap manager. After discussion, and upon motion duly made and seconded, it was unanimously

**RESOLVED**, that the Board approves the hiring of Granahan Investment Management as a small cap manager.

Mr. Rambert presented the recommendation that HarbourVest Partners, LLC be hired as a fund to fund manager. After discussion, and upon motion duly made and seconded, it was unanimously

**RESOLVED**, that the Board approves the hiring of HarbourVest Partners, LLC as a fund to fund manager.

Ms. Layton announced that Morningstar had released its ratings and she is happy to report that Maryland 529 has retained its silver rating noting that comments from Morningstar are similar to those in the past few years.

- **MD ABLE Update**

Ms. Reinfenstahl, BNY Mellon (“BNY”), introduced Ms. Cataldo, the new day-to-day operational manager for ABLE, and Mr. Malone, who will oversee the service centers.

Ms. Reinfenstahl provided the 3<sup>rd</sup> quarter summary, and reported that contributions were up 40% over last year and distributions were up 93%. There was a discussion regarding account distribution numbers by region and it was noted that the region geographical lines utilized in the ABLE reporting are defined by the Developmental Disabilities Office.

Mr. Malone presented the call center statistics for the 3<sup>rd</sup> quarter, which missed the service-level targets by a considerable margin. There was discussion on wait/call times for account holders being far longer than is acceptable. BNY noted that, similar to many other employers, there have been significant staffing challenges. Treasurer Kopp noted the expansion of ABLE and 529 clients at BNY and its impact on existing clients, expressing her hope that BNY will continue to staff up to meet the increased demands when taking on additional clients.

- **Maryland College Investment Plan**

Mr. McAvoy, TRP, reported that the \$8.55B in plan assets is slightly lower than the last quarter, but 22% higher than September 30, 2020, which reflects the strong market. He noted that the year-to-date contributions were record breaking and were 26% higher than last year. Distributions were at \$33M for September and there was a 33% jump in payouts over last year, which may be reflective of delayed demand from the decrease in distributions in 2020 due to COVID. There also has been a year over year growth in new accounts.

Mr. McAvoy reported that there has been a spike in rollover numbers, which has doubled over the last year, with Virginia 529’s moving to MCIP continuing to be a driver. He also noted that rollovers from MPCT were much higher than historic numbers. Ms. Layton responded that that these rollovers tie in with the transition to the new Program Manager and the change in calculation methodology that was communicated to account holders.

Mr. McAvoy informed the Board that TRP has recently sent about 16,000 emails to account holders providing status updates on the State Contribution Program (“SCP”). There are approximately 2,000 account holders not eligible, which has caused a spike in calls. Ms. Layton noted that the estimated need for the SCP program is \$11M, with the current budget at approximately \$10.5M. Staff has been communicating with the Department of Budget and Management on the estimated request for additional funds.

- **Executive Director Report**

Treasurer Kopp announced that Ms. Benik will be retiring from the State Treasurer's Office, noting that the impact Ms. Benik has had on the State and the Agency finances has been important to their successes and that they couldn't have gotten here without her. Ms. Benik thanked the Board.

Ms. Layton reported that this is the last day of business (October 29, 2021) before the transition begins to the new Program Manager. The transition is in good shape, all affected staff will report to their new agencies on Monday, testing is done and Banner will be "unplugged" at 4:30pm. She noted that Office of Legislative Audits and Department of Information Technology ("DoIT") have been involved and/or consulted throughout various parts of the transition. Banner will still be available, if needed, until September of next year.

Ms. Layton informed the Board that the November 18<sup>th</sup> meeting will be to review the ABLE Disclosure Statement.

Ms. Winner reported that the delay in the website's Spanish translation is due to delays on Towson University's side of the current website project because of staff departures. The expectation is that the new standard website will be done by year end or early next year and then the translation process can begin shortly after.

- **Closed Session**

Ms. Marek requested that the meeting move to closed session to seek legal advice on pending claims and upon motion duly made and seconded, it was unanimously

**RESOLVED**, that the meeting move to closed session to receive advice from counsel.

The open session of the Board meeting resumed and Ms. Marek reported that during the closed session the Board received advice from counsel on a pending discrimination claim as well as a contract claim from the Program Manager for the MPCT.

- **PIA Request**

Ms. Layton reported that there is a PIA request from an account holder pertaining to an email TRP sent to account holders. One account holder is concerned about how his information is being used and whether TRP should be allowed to send the email at all. The contract with TRP allows marketing of products three times a year to account holders. It was discussed that the three times a year should be looked at for the future. It was also discussed that this current communication may not be considered marketing, as it offers enhancements to the existing account holder benefits, such as a free subscription to Morningstar. There is an opt out option in the email.

- **Vaccination Award**

Mr. Newman announced that all 20 Maryland 529 VaxU Scholarship accounts have been opened and funded. There are 14 MCIP accounts and 6 MPCT accounts with the residuals from the Prepaid accounts put into MCIP accounts.

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 12:15 PM.

Approved:  Date: 12/13/2021  
Justin Hayes, Board Secretary

Exhibit List

- 1A- Agenda
- 1B- Minutes Board Meeting 9/17/21  
(Open & Closed Sessions)
- 3- Annual Audit Report
- 4A- MD529 Annual Report
- 4B- MPCT Disclosure Statement Update
- 4C- MCIP Disclosure Statement Update
- 5A- MPCT Pricing Scenarios
- 5B- Delegated Authority Updated List
- 6A- MPCT Benchmarks
- 6B- Small Cap Growth Manager (CLOSED  
SESSION)
- 6C- Private Equity Fund (CLOSED  
SESSION)
- 7- Maryland ABLE Report
- 8- MCIP Report
- 9- Executive Director's Report