

**Maryland 529  
Board Meeting Minutes  
Conference Call**

**April 30, 2020  
9:30 AM – 11:05 AM**

**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

Amalie Brandenburg, Superintendent of  
School's Designee

Sam Gallo

Keith Persinger

Joanna Pratt

Peter Tsirigotis

Dr. Lisa Weah

**Staff, Representatives and Guests**

Erin Layton, Executive Director and  
Interim-Director of Investments & Cash  
Management

Bernadette Benik, Chief Deputy Treasurer

Janaki Kannan, Director of Finance

Bette Ann Mobley, Director of ABLE

Meghan Marek, Assistant Attorney General

Maria Dodge, Executive Associate

Sally Reinfenstahl, BNY Mellon

David McAvoy, T. Rowe Price

Glen Ross, Marquette Associates

Dave Smith, Marquette Associates

**Maryland 529 Board Meeting**

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

- Approval of Minutes

Treasurer Kopp asked for comments on the minutes from the April 6, 2020 Board meeting. There being none and upon motion duly made and seconded, it was unanimously

**RESOLVED**, that the minutes for the April 6, 2020 Board meeting are hereby approved.

Treasurer Kopp asked for comments on the minutes from the closed session of the March 9, 2020 Board meeting. There being none and upon motion duly made and seconded, it was unanimously

**RESOLVED**, that the minutes for the closed session of the March 9, 2020 Board meeting are hereby approved.

Treasurer Kopp asked for comments on the minutes from the February 20, 2020 Board meeting. There being none and upon motion duly made and seconded, it was unanimously

**RESOLVED**, that the minutes for the February 20, 2020 Board meeting are hereby approved with the redline revisions accepted.

- Board Chairman's Items

Treasurer Kopp thanked the Chairs for accepting their positions and indicated that the ad hoc ABLE Special Committee will be chaired by Secretary Carol Beatty.

- Maryland ABLE Update

Sally Reinfenstahl, BNY Mellon ("BNY") summarized Maryland ABLE's ("ABLE") first quarter 2020 performance. ABLE's assets under management were \$14.7M and were continuing to grow even with limited outreach opportunities during the pandemic. There is a potential to see an additional spike in contributions due to stimulus checks being received by account holders who aren't able to go out and spend the money at this time. Ms. Reinfenstahl reported that BNY is working on closing dormant accounts and that rollovers, ABLE to Work contributions, and gifting have been solid for the quarter.

Ms. Reinfenstahl informed the Board that the new vendor pre-paid cards are on par with the amounts under the former vendor. Ms. Bette Ann Mobley reported that ABLE will keep the card's funding as is through June and then they will look at increasing the fee rate depending on current interest rates. There was a discussion that many other programs absorb the card's costs and no one is making any changes at this time.

Ms. Reinfenstahl indicated that the call center is working 100% remotely; there has been a reduction in the call center hours, a decrease in calls, no interruption in work and no comments about less operating hours being a problem. They are looking to bring the hours back to full time, but they are monitoring the COVID-19 situation before making any decisions.

ABLE accounts have continued growing throughout the quarter. Ms. Reinfenstahl explained that contributions and distributions have increased during the 1<sup>st</sup> and 2<sup>nd</sup> quarter, but there is no real trend or patterns available yet given the newness of the program. Ms. Mobley reported that a national survey has been issued which will help to examine contribution and distribution patterns, which will also be a topic to be discussed at the National Association of State Treasurers ("NAST") conference in July. The financial overview shows that account holders are moving from moderate/aggressive investments to conservative funds with all Maryland regions showing an upward trend in account distribution.

Ms. Mobley reported on the outreach and success of partnering with agencies who are Authorized Legal Representatives ("ALRs") for a large population. She also noted other outreach opportunities the team has been pursuing with JP Morgan Chase.

Ellen Herbst joined the meeting at this time.

Finally, Ms. Reinfenstahl informed the Board that there was an account, related to the fraud issue discussed last year, that resulted in a \$7,400 loss for an individual. She indicated this was part of the same group of accounts that BNY had identified last year, in early 2019, but this one had

passed the CIP process. In early 2020, the account holder realized that there were funds transferred and withdrawn from the account prior to the account being closed after the fraud was first discovered. The account holder has been made whole and Sunday is monitoring the closed accounts. There was a discussion that this was a matter of the identity of the account holder being stolen and that all necessary precautions were and are being taken by Sunday.

Sally Reinfenstahl left the meeting.

- Investment Committee Report

Ms. Joanna Pratt reported that the Investment Committee met on April 23<sup>rd</sup> and had reviewed the MPCT Experience Study, discussed the MPCT rebate analysis project and discussed ESG investment options for the MCIP. The Committee will have more to report on these topics this summer.

Regarding the Investment Committee's Charter, the Committee recommended the Board approve the minor revisions to the Charter with the understanding that revisions will continue to be presented as needed. There being no further questions on the revisions presented and upon motion duly made and seconded, it was unanimously

**RESOLVED**, that the Board adopts the Investment Committee's Charter as presented with the understanding that revisions will continue to be presented as needed.

Ms. Pratt next reported the Committee's review and revision of update to the agency's policy for exempt procurements. She explained the Committee discussed the procedures to be followed and the legal and regulatory framework being the policy. The Committee recommended the Board approve the revisions to the Maryland 529 Policy and Procedures for Exempt Procurements as presented. After discussion regarding the new provision on hiring an independent prepaid program manager and upon motion duly made and seconded, it was unanimously

**RESOLVED**, that the Board approves Maryland 529 Policy and Procedures for Exempt Procurements, as presented.

Ms. Pratt presented the Committee's recommendation that the Board approve changes to three fund managers. Specifically, at Franklin Templeton Emerging Debt there is a concern pertaining to leadership after the death of the lead manager. Ms. Layton will work with Marquette Associates to find an appropriate Emerging Market Debt fund manager replacement. The second recommendation was for Dodge & Cox to be terminated and funds to be moved in the Vanguard 500 Index Fund due to underperformance. The final recommendation was for Penn Capital High Yield which has shown continued underperformance and personnel shifts. The Committee recommended the Penn Capital High Yield allocation be moved to the MacKay Shields investment. There being no further discussion and upon motion duly made and seconded, it was unanimously

**RESOLVED**, that the Board approves the Investment Committee's recommendations to place Penn Capital High Yield, Franklin Templeton Emerging Debt and Dodge & Cox on Alert and to transfer the allocations as described by Ms. Layton.

- Maryland College Investment Plan ("MCIP")

Dave McAvoy, T. Rowe Price ("TRP") began by discussing the State Contribution Program ("SCP"). He indicated that about 50% of the new applications for the program were new accounts and that the expansion of the footprint for the program is increasing. As families began to work at home, they saw a drop off on new enrollments into the SCP, but that enrollments were still 51% higher than last year. The families that have over six accounts were quick to apply in January and the anticipation is that there will be about a 50% increase in applications over last year by the end of the application period, but not doubled like was originally expected.

Ms. Layton reminded the Board that the legislative changes in the SCP provide for the Board to adopt regulations for the program and she will be recommending certain policies be implemented through those regulations.

Mr. McAvoy referenced that the 13% drop since December 2019 compares well nationally. TRP saw an increase in the types and length of calls in March, but they were more conversational and not heavy on account changes. The exchanges that occurred were about 4% in the static portfolios and in the enrollment based portfolios exchanges were up to about 1.7%. There were not significant changes or withdraws from the Plan. About 50% of the changes were from families who beneficiaries are between the ages of 16 and 22. TRP will have additional information for the Board in June. There have been a handful of recontribution questions and they will be watching those numbers.

- Executive Director's Report

Ms. Layton summarized her Executive Director's Report and requested that the Board approve a stand-alone project for a patch to apply on Oracle and Banner to help with speed and other problems. Under the current COVID-19 conditions and potential issues with office access and on boarding, Ms. Layton explained this would be a sole source contract for the company already assisting in Banner support projects. After a brief discussion, and upon motion duly made and seconded it was, it was unanimously

**RESOLVED**, that the Board approves the recommendation of the Executive Director to do a sole source procurement with the current contractor to implement the necessary security patch for Oracle and Banner with a cost of approximately \$20,000.

Ms. Layton also requested that, under the circumstances from COVID-19 and due to the trouble shooting that needs to be done in Banner, the Board approve a six month, sole source contract for trouble shooting services for Banner, not to exceed \$50,000. While hopefully not needed, this would provide the agency with additional IT support should arise during a time agency personnel are not on site and the granting of additional server access and permissions would be unworkable. After a brief discussion, and upon motion duly made and seconded it was, unanimously

**RESOLVED**, that the Board approves the recommendation of the Executive Director to do a sole source procurement for a six-month contract trouble shooting services for Banner.

Ms. Layton summarized the remaining items in her report for the Board. The Board and Ms. Layton discussed the open personnel positions that are currently on hold and Ms. Layton noted that she would seek an exception from the statewide hiring freeze for two of those positions in order to continue recruiting.

There being no other topics to discuss, and upon motion duly made and seconded, it was unanimously

**RESOLVED**, that the Maryland 529 Board moves into a closed session in accordance with Maryland Code, General Provisions §§ 3-305 to seek the advice of counsel on State tax treatment of certain 529 distributions.

Approved: \_\_\_\_\_ Date: \_\_\_\_\_  
Justin Hayes, Board Secretary

Exhibit List

- 1A. Agenda
- 1A1. Minutes April 6, 2020
- 1A2. Minutes March 9, 2020 closed session
- 1A3- Minutes February 20, 2020
- 3. Maryland ABLE Quarterly Report Ending 3/31/20
- 4. Investment Committee Meeting Update
- 4A. Investment Committee Charter – redlines and accepted
- 4B. Policies and Procedures for Exempt Procurements – redline and accepted
- 5. Maryland College Investment Plan State Contribution Plan
- 6. Executive Director’s Report