

**Maryland 529
Meeting Minutes**

**September 19, 2019
9:30 AM – 1:15PM**

**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, and Board Vice Chair
Justin Hayes, Maryland Comptroller's
Designee, and Board Secretary
Carol Beatty, Secretary of Maryland
Department of Disabilities
Amalie Brandenburg, Superintendent of
School's Designee
Pamela Purcell, Chancellor of University
System of Maryland's outgoing Designee
Ellen Herbst, Chancellor of University System
of Maryland's oncoming Designee
Keith Persinger
Joanna Pratt
Peter Tsirigotis

Board Members Present via Conference Call

Dr. Lisa Weah

Board Members/Designees Absent

Carol Coughlin

Staff, Representatives and Guests

Erin Layton, Interim Executive Director
Bernadette Benik, Chief Deputy Treasurer
Janaki Kannan, Director of Finance
Meghan Marek, Assistant Attorney General
Maria Dodge, Executive Associate
Kelly Nelson, ABLE Outreach &
Communications Manager
Amy Williams, GRS
Jim Balsan, BNY Mellon
Sally Riefenstahl, BNY Mellon
Glenn Ross, Marquette Associates
Dave McAvoy, T. Rowe Price Investment
Services, Inc.
Christine Akins, T. Rowe Price Investment
Services, Inc.
Ian Klein, Legislative Analyst

Maryland 529 Board Meeting

Treasurer Kopp called the meeting to order at 9:35am.

- Approval of Minutes

Treasurer Kopp asked for comments on the minutes from the July 30, 2019 Board meeting. Hearing none, upon motion duly made and seconded, it was unanimously

RESOLVED, that the minutes for the July 30, 2019 Board meeting are hereby approved.

Treasurer Kopp then asked for comments on the minutes from the September 6, 2019 Board meeting. Hearing none, upon motion duly made and seconded, it was unanimously

RESOLVED, that the minutes for the September 6, 2019 Board meeting are hereby approved.

- Board Chair's Items

Treasurer Kopp introduced three new Board members. Amalie Brandenburg succeeds Steve Serra as State Superintendent's designee and will serve on the Administration, Personnel and Finance Committee. Joanna Pratt, from the Johns Hopkins University Investment Office has been appointed by the Governor and to succeed Charles Tharp and will serve on the Investment Committee. And lastly, Ellen Herbst, from the University of Maryland, will succeed Pam Purcell as the Chancellor's designee. Ms. Herbst has agreed to serve on the Investment Committee and the Audit and Governance Committee.

Treasurer Kopp thanked Pam Purcell for her years of outstanding service to the Board and her willingness to serve as chair of both the Audit and Finance and the Administration and Personnel Committees during her term.

- Administration, Personnel and Finance Report

Ms. Purcell presented the Committee's report from its meeting the prior week noting the Committee had two recommendations requiring a Board vote.

The first item requiring a vote was on the implementation of a new ABLE pre-paid card for account holders. As background, Ms. Layton reminded the Board that a new vendor is being engaged by the ABLE Program Manager, BNY Mellon, because the previous vendor of the pre-paid cards had ceased serving ABLE programs. The question before the Board concerned how to apportion the fees for the new pre-paid cards, which increased from the original vendor.

Ms. Layton explained that materials on the topic had been presented to the Committee last week and that the Committee requested additional research, which has been distributed for the Board's consideration today. Maryland ABLE staff stressed the Program's commitment to maintaining low fees for Maryland ABLE account holders for several reasons. They have also received positive feedback on the pre-paid card feature and its usefulness to account holders.

Ms. Layton walked through three scenarios on how to offer the new card recommendation from staff was to keep the portion of the price of the card paid by the account holders the same at \$1.25, and then to reduce the interest earned by account holders in the cash investment option to cover the remaining fee incurred by the Program.

Ms. Purcell then asked for comments on the recommendation, and noted that the Committee had not come to a final recommendation because of the desire to consider the further research presented to the Board, then provided a summary of the Committee's discussion of the topic including the comparisons to other state programs' fees and cash options. The Board then reviewed account holders' adoption rate of the pre-paid cards and discussed the potential for interest rates and how the fees could account for these changes in rates over time.

After discussion and upon motion duly made and seconded, it was

RESOLVED, that MD ABLE program is authorized to offer a pre-paid card keeping the price the same to account holders at \$1.25 and reducing the interest received on the cash option by 65 basis points.

The vote was unanimous among those present with the exception of Mr. Newman voting in opposition.

The Board noted that this decision is a bridge to get the new card up and running and the decision should be revisited with staff continuing to review the balance in the cash option, the impact of interest rate fluctuation, and usage of the cards.

Ms. Herbst entered the meeting.

The second item from the APF Committee requiring a Board vote was changes to the Bylaws. Ms. Marek discussed the revisions, which were primarily being implemented to reflect the Board's new committee structure. The Board also discussed the requirement of a minimum number of meetings but left the current language in place for now.

After discussion and upon motion duly made and seconded, it was unanimously

RESOLVED, that the Bylaws are hereby amended as presented.

- MD ABLE Update

Ms. Riefenstahl, from BNY Mellon, presented the June 30, 2019 quarterly update on the ABLE program. She noted that assets were at \$8.1 million dollars as of the end of June.

Secretary Beatty noted that the Maryland ABLE Program now has accounts opened for residents in every Maryland county, and the Board congratulated the staff on its outreach efforts.

Bette Ann Mobley, Sally Riefenstahl, and Jim Balsan left the meeting at this time.

- Maryland College Investment Plan – T. Rowe Price (TRP)

Ms. Akins briefed the Board on the annual Morningstar phone call that was held the prior week. She noted that T. Rowe Price had prepared a presentation for Morningstar and that the analysts spent several hours with the investment team from TRP asking targeted questions on philosophy and process for the investment. Ms. Layton discussed an additional call held between the Maryland 529 staff and Morningstar analysts, along with Marquette Associates and T. Rowe Price. Ms. Layton noted that the call was fairly brief and that she covered the role of the CIO position within the agency and how the CIO partners with both Marquette and TRP to provide oversight of the investments.

Mr. McAvoy summarized July 2019 report for the Board and then discussed the State Contribution Program (SCP). He reported that applications increased 49% year over year reaching nearly 24,000 applications with an increased application presence in Baltimore City and Prince George's County. The State funding to be requested to fully fund State Contribution applications is estimated at \$10 million. After discussion regarding the report, the Board requested that TRP review data regarding market

penetration. The Board would also like to see information in the future comparing the saving trends and demographics of account holders who enrolled with the Investment Plan through the SCP to the overall MCIP account holder population.

There was additional discussion regarding the usage of the State Contribution among applicants who appear to be anticipating participating in the program for use in applying the proceeds toward K-12 tuition, as well the implication of the discovery this year that some applicants were filing many applications for the SCP. The Board requested the agency prepare examples of instances where a large number of applications were filed by a single individual.

- Executive Director's Report

Ms. Layton provided a summary of the Executive Director's report and an updated Project Tracker reflecting the status of various Maryland 529 ongoing projects.

Ms. Layton specifically updated the Board on the following:

1. The Agency is utilizing available State resources to assist with small procurement and the Prepaid RFP. Ms. Brandenburg has made three Maryland State Department of Education ("MSDE") employees available to assist with some projects.
2. Although the agency's Personnel Incentive Program has not been used to date, it will be included in the budget report as a line item going forward. The criteria for awards will be presented to the MD529 Administration, Personnel and Finance Committee.
3. An MOU with the State Department of Information Technology ("DoIT") to take over major IT functions for the agency is still pending with no draft agreement yet forwarded to the agency. Although DoIT supplied a cost sheet, we are awaiting clarification of what is covered under those costs.
4. Ms. Layton requested that Ms. Purcell provided the agency with a copy of the Minute/Follow Up form used by her office to help track ongoing Board items.
5. The Executive Director informed the Board that the agency will report on rollovers from MPCT accounts to the MCIP as well as rollovers to other 529 programs outside Maryland. Previously this had been identified as something unavailable in the system but staff has found a report that allows them to confidently supply the information going forward.
6. A meeting between the Audit & Governance Committee ("A&G") and SB & Company, LLC ("SB") before the Annual Report and financial statements are ready will probably not take place because of scheduling difficulties, but the report will be reviewed by the Investment Committee as it has been in the past, before restructuring of Board Committees. But, there will be a need for another A&G meeting, in addition to the 9/23/19 meeting; and, prior to the 10/29/19 Board Meeting. Also, Ms. Kannan has reached out to SB regarding the documents SB stated it produced reflecting Maryland 529 procedures, but she has not yet received any documents.
7. The Task Order Request for Proposal ("TORPF") is being reviewed by the Department of Budget and Management and comments are pending. The scope of work for a Prepaid Trust RFP seeking recordkeeping and administrative services is being reviewed by a third party. Once

that review is completed, the agency will determine if we need a small procurement seeking additional help with the details of the scope of work.

8. Sexual Harassment Training has been scheduled for the entire office. Maryland 529 is currently working with the Treasurer's Office for Supervisor and Performance Evaluation Program Training.
9. The New Board Orientation will be scheduled for next month and will be open to all Board Members.
10. The Agency is currently reviewing Human Resources Policies provided by the Treasurer's Office to use as potential templates. Also, the planned audit project will help to establish needed policies and procedures.
11. The Compliance Position posting has closed. It will be discussed further at the A&G meeting, but a Board Member should be named to serve on the interview panel.

- Legal

Ms. Marek briefed the Board on the Maryland Code provisions requiring State agencies to provide a translation of their website under certain circumstances. While an IT solution was currently being researched by the agency, the Google translate widget having been discontinued, Ms. Marek explained the concerns with offering a non-certified translation of the Maryland 529 website. Ms. Marek further discussed the research she has done regarding other 529 plan translations including two plans which had undertaken full, certified translations into Spanish, and several plans that provided a website link to a one-paragraph explanation of a 529 plan.

The Board directed staff to research what languages should be considered for translation according to State law and to price the option of making all resources available in multiple languages (e.g. enrollment kit, customer service representatives, website, etc.) in order to better understand the potential costs. The Board also directed staff to inquire and report on the potential for working with other agencies, such as local governments, local education agencies, and non-governmental entities in order to work with them to meet the needs of non-English speaking constituencies.

Ms. Williams entered the meeting.

- GRS Presentation

Ms. Williams presented the Preliminary Actuarial Soundness Valuation for the MPCT and explained the assumptions used. Ms. Williams reported a funded ratio of 162.6% for the period ending June 30, 2019 using current assumptions. There was a discussion of the assumptions and scenarios used to determine the funded ratio, the number of Prepaid accounts, and period included in the evaluation.

There was additional discussion regarding a potential rebate study subsequent to the account review project and GRS's experience with reviewing rebate scenarios for other defined benefit programs. Ms. Williams responded that GRS has looked at scenarios for under-funded plans, but had not previously addressed this exact scenario.

The Board discussed the various factors that could impact different pricing options for the 2019-2020 Prepaid Contracts. Ms. Layton informed the Board that she will bring the 2019-2020 MPCT pricing information to the Investment Committee to consider in October.

As a summary of the discussion, Ms. Layton and Ms. Williams suggested the following scenarios be run by GRS to present pricing options for the Board:

1. Keeping the load the same as the prior year
2. Increasing price by the weighted average tuition ("WAT")
3. Keeping contract prices the same. The Board noted that the previously-planned 2020 experience study will be commencing concomitant with an audit of current Prepaid Trust accounts and that the completion of those two projects consider different pricing models and will inform assumptions in future years.

- Closed Session

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(b) to discuss confidential findings of the OLA auditors, to discuss the agency's response, and to seek advice of counsel on same.

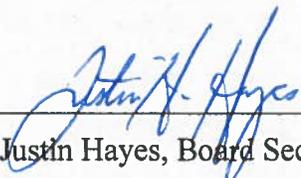
Ms. Kannan, Mr. McAvoy, Ms. Akins, Mr. Ross, Mr. Klein and Ms. Dodge left the meeting.

The closed session concluded and the regular session of the meeting resumed. The Board announced that during closed session the Board had discussed the OLA audit but took no additional action.

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

RESOLVED, that the Board meeting is adjourned at 1:15pm.

Approved: _____


Justin Hayes, Board Secretary

Date: _____

11/21/19

Exhibit List

- 1B – Minutes from the 7/30/19 Meeting and 9/6/19 Board Conference Call
- 3A – Administration, Personnel & Finance Committee Report
- 3B – ABLE Pre-Paid Card
- 3C – Bylaw Revisions
- 3D – FY19 Operating Budgets
- 4 – ABLE 4th Quarter Report

- 5A – MCIP Quarterly Update
 - 5B – MCIP State Contribution Program Report
 - 7 – Executive Director’s Report
 - 8A1/8A2 - MPCT Valuation Review
 - 9 – Translation Advice Member – Attorney/Client Privileged
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