

**Maryland 529
Board Meeting Minutes
Conference Call**

**June 25, 2020
9:30 AM –1:30 PM**

**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
Amalie Brandenburg, Superintendent of
School’s Designee
Ellen Herbst, Chancellor of University
System of Maryland’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
Michelle Winner, Director of Marketing
Meghan Marek, Assistant Attorney General
Maria Dodge, Executive Associate
Christine Akins, T. Rowe Price
David McAvoy, T. Rowe Price
Michelle Palmer, T. Rowe Price
Paul Musante, T. Rowe Price
Glenn Ross, Marquette Associates

Maryland 529 Board Meeting

Treasurer Kopp called the meeting to order at 9:45 am.

- Announcements from April 30, 2020 Closed Session

Board Meeting Minutes from the February 20, 2020 and March 9, 2020 closed sessions were approved and advice of counsel was sought regarding Maryland tax implications on distributions to pay for the student loans of a sibling of the beneficiary. The Board approved counsel seeking further advice on the issue from the Attorney General’s Office of Advice.

- Approval of Minutes

Treasurer Kopp asked for comments on the minutes from the April 30, 2020 Board meeting.

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

RESOLVED, that the minutes for the April 30, 2020 Board meeting are hereby approved, subject to revision of several typographical errors.

- Maryland ABLE

Secretary Beatty thanked Dr. Weah for joining the ad hoc ABLE Committee to assist with issues that continue to challenge the program.

Ms. Mobley presented the ABLE Strategic Development/Marketing Plan. She reported that the NAST national survey resulted in Maryland ABLE being ranked 8th in number of accounts and assets under management. Ms. Mobley also informed the Board that the program has approximately 2,300 accounts with average account balances higher than the national average. Ms. Mobley shared program statistics showing that account holders may be using their account as a long-term investment rather than the transactional manner as previously assumed.

Ms. Mobley recapped the program's FY20 achievements versus goals, including successful outreach programs and partnership developments with employers and banks. ABLE exceeded its account growth and asset goals for the fiscal year. Ms. Mobley informed the Board that there has been a lot of development over the last year regarding organizations that act as authorized legal representatives ("ALR"), including work on national presentations in coordination with Washington County ARC. ALRs currently represent 352 accounts and \$1.4M in dollars with ARC of Baltimore recently added. There was a discussion regarding the choice of options for cash accounts being utilized is due to the ease of use by the agencies.

Ms. Mobley reported that since the Program Manager was not able to finish the technical upgrades to track self-reported veteran account holders and the federal ABLE Age Adjustment Act not passing this year, ABLE was not able to meet its goal of establishing 25 veteran accounts, but ABLE's veteran ambassador is working on the national ADA anniversary campaign. Ms. Mobley explained the survey process for new account holders and how the results become part of the customer analysis information. Ms. Mobley also reviewed the various marketing materials developed by the program over the last year.

Ms. Mobley presented the Maryland ABLE Marketing Budget for FY21 for approval by the Board and explained that the Marketing Budget is significantly lower than other programs. She further presented the ABLE Strategic Program Development and Marketing Plan goals for FY21. After a discussion of the marketing budget allocations, and upon motion duly made and seconded, it was unanimously

RESOLVED, that the Maryland ABLE Marketing Budget and Strategic Programs Development and Marketing Plan goals for FY21 are approved.

Secretary Beatty summarized the issues on the continuing costs of the Maryland ABLE Pre-Paid Card. The Committee's recommendation is to continue with the current cost of \$1.25 for the next fiscal year and for the Program to pursue other options to help cover the costs, while also submitting a deficiency request. After discussion of the various options and upon Motion duly made and seconded, it was

RESOLVED, that Maryland ABLE continue to charge the pre-paid card fee of \$1.25 for the next fiscal year, while pursuing a deficiency request in addition to other potential alternative funding sources.

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

Treasurer Kopp recommended that the Committee consider contacting Congressman Steny Hoyer regarding the 30th anniversary of the Americans with Disabilities Act as he is a proponent of ABLE programs and may be able to offer additional suggestions.

Mssrs. Persinger and Gallow joined the meeting at this time.

- Strategic Marketing Plan and Budget Plan for Maryland 529

Ms. Winner presented an overview of 529 plans in the marketplace, highlighting that over 10 years there has been a 3-5% annual growth with 14 million funded 529 accounts. However, only a third of families who aspire for their children to attend college use 529 plans. Awareness and understanding of 529 plans will continue to grow as providers enhance websites, communications, and partnerships and more families share positive experiences of using 529 plans.

Ms. Palmer, T. Rowe Price (“TRP”), reported that 12% of U.S. families are using 529 plans to save for college and that is the second highest method used to save for college. According to the 2010 census, 12.3% of Maryland children are enrolled in Maryland College Investment Plan (“MCIP”) and 3% are beneficiaries of a Maryland Prepaid College Trust account, which provides an opportunity to increase the market share. Ms. Palmer noted that MCIP is out pacing the national numbers.

Ms. Palmer indicated that this year’s challenge has been COVID-19, which has required marketing adjustments, including notifying account holders of the status of business operations, aligning reassurance messaging and educational content to the current needs of short and long term investors, and shifting some direct-response State Contribution Program advertising from FY Q4 to peak MCIP acquisition season in FY21 Q1.

Ms. Winner noted that with the current market volatility, the agency had focused on positive messages and staying visible through a transition to webinars and digital marketing campaigns.

Ms. Winner reported that MPCT’s strongest referral sources are word of mouth and internet searches with internet searches increasing. There are some business opportunities for contracts outside the enrollment period as there were 169 in the last year from parents with children under the age of one. As of 5/31/20, the Plan had 887 contracts compared to last year’s 1,168. With the extension of the enrollment period through 6/30/20, MCPT is hoping to get closer to last year’s numbers. As of 6/17/20, there were 1,006 new contracts.

Ms. Palmer informed the Board that MCIP has surpassed its goals and the industry's benchmark even though assets are down.

Ms. Winner highlighted marketing goals that were met during the last year, including brand building, digital ad increases with the Hatcher team, improved educational content, and the B&O Polar Express partnership.

Ms. Palmer reported that the ease of the online process has added to applications for the State Contribution Program with a 27% increase in applications over last year. Some of that increase is attributed to an increase in Facebook, Hatcher advertising, and digital billboards.

Ms. Winner presented the marketing opportunities for 2020-2021, which include continuing to build brand equity with the website redesign, digital ads, social media ads, television and radio ads, plan specific ads, gifting, account holder engagement, and partnerships with underserved communities. The Plan would like to increase the number of contracts by 2%, although the COVID-19 impact may affect that goal.

Ms. Winner next presented the Marketing Budget for review and approval by the Board. After discussion and a request for a year by year line budget in the future and, upon a motion duly made and seconded, it was unanimously

RESOLVED, that the Maryland 529 Marketing Budget and Marketing Plan for FY21 are approved.

- MPCT Tuition & Mandatory Fees

Ms. Kannan presented the Maryland Universities and Community Colleges' Tuition & Mandatory Fees for approval, noting that the University System of Maryland, Morgan State University, and St. Mary's College of Maryland numbers are not changing and Baltimore City Community College had not yet updated its numbers. If approved, GRS will use these numbers to calculate the Weighted Average Tuition. After discussion, and upon motion duly made and seconded, it was unanimously

RESOLVED, that MPCT Tuition & Mandatory Fees are approved subject to Baltimore City Community College updating its numbers.

There was a request that Ms. Kannan provide a copy of the updated document to the Board after Baltimore City Community College updates its numbers.

- Administration, Personnel and Finance Committee Update

Ms. Brandenburg reported that the Administration, Personnel and Finance Committee reviewed the policy and procedures for social media, which will have an annual review going forward. Staff also updated the Committee on the website translation project, which will begin after the website revamping is completed. There was a Committee discussion regarding the concern for

potential costs that would be incurred by ABLE for a translation project. The Agency also reported to the Committee that it is still working on a potential IT-support agreement with DoIt.

Ms. Brandenburg and Ms. Layton presented the Committee's recommendation that the following contracts be approved for renewal, none of which need approval from the Board of Public Works:

1. GRS – Provides the annual actuarial services. This will be the last renewal option for this contract.
2. BNY-Sunday – ABLE Program Manager. Renew for now and see if there are any concessions available before renewing; would like to put this out for a bid, but there is no capacity to do that at this time.
3. Towson University – Maintenance and hosting services for our current website. Reengage Towson through an interagency MOU and the Agency will bring an update to the Committee in July regarding Towson University.

The Agency needs the Board to approve the contract renewals at this time. The Committee is looking into the approval process for the future. Upon the motion duly made and seconded, it was

RESOLVED, that the Board approves renewal of contract/agreement options for GRS, BNY-Sunday and entering an interagency MOU with Towson University for web hosting services.

The vote was unanimous among those present with the exception of Ms. Herbst who abstained from voting.

- Audit & Governance Committee Update

Ms. Herbst informed the Board that the Audit & Governance Committee is coordinating the process for reviewing Board Policies, major contracts, and the delegation of authorities. Ms. Herbst reported that the Committee received an update on a number of Agency projects.

Ms. Kannan reported that the potential annual auditors had questions about the scope and timeline for the upcoming forensic audit before they commit to the annual audit. Also, at this time, it is unknown which company be subcontracted for the audit as the statewide auditor, Clifton Larson, has stated it has a conflict and cannot perform Maryland 529's audit. Ms. Kannan informed the auditors that MD529 was in the process of developing that information and will communicate it to them as soon as it is available. Ms. Layton informed the Board that she hopes to have the auditors at the July 2020 Audit & Governance Committee Meeting.

- Maryland College Investment Plan ("MCIP")

Mr. McAvoy summarized TRP's May 2020 report on the MCIP reporting that assets at the end of May were approximately \$6.5 billion. There were 4,800 new beneficiaries added during the pandemic, with year-to-date contributions of approximately \$274 Million, a 10% one-month

gain. TRP has processed 30,000 applications this year with 98% being done online. Due to the online usage, the call center has been able to focus on more complex account holder issues.

Mr. McAvoy presented changes to the MCIP Disclosure Statement following the finalization of advice from the Attorney General's Office on the State tax implications for distributions to pay the student loans of a sibling of the beneficiary. After discussion and upon motion duly made and seconded, it was unanimously

RESOLVED, that the updated Disclosure Statement is approved.

- Executive Director's Report

Ms. Layton explained that Ms. Kannan and she would have a call regarding the forensic audit to determine what the engagement and cost would look like. Once she has additional information she will report to the Audit and Governance Committee by the July meeting.

Ms. Kannan provided an update on the Wells Fargo check printing program, announcing the scheduled start date is July 7, 2020. She will let the Board know once the program is live.

Ms. Layton reported that the staff is telecommuting with a few people coming into the office to perform necessary tasks. The Agency is having regular meetings with the staff, teams and directors.

Ms. Layton shared PNC Bank's follow up letter clarifying their position on ABLE Now accounts. There was a discussion pertaining to the letter.

- State Contribution Program – Proposed Changes

Ms. Layton outlined the proposed changes and possible actions regarding the State Contribution Program for the Board's discussion and potential approval. These proposed changes are based on data gathered that shows some applicants are undermining the spirit of the program with their usage.

There was discussion regarding the proposed program revision to require applicants to file their State taxes by the standard tax filing deadline. Ms. Marek informed the Board that there could be potential push back from the Office of Legislative Affairs regarding a change to the tax-filing deadline, but as there are other COMAR regulatory revisions that need to be proposed, she has included it. After discussion about the administration of the program, and upon motion duly made and seconded, it was unanimously

RESOLVED, that the Board approves an operational change to the State Contribution Program requiring applicants to file their State taxes by the standard tax filing deadline.

Ms. Layton summarized the various options for legislative changes to the State Contribution Program, including limiting total contributions any one account holder can receive, beneficiary age limitations, and limitations to the lifetime contributions to a single beneficiary. There was a

discussion that other state's programs are not as comprehensive as Maryland's programs and are much more limited in benefits. After discussion, it was agreed that Ms. Layton may proceed with providing the potential legislative changes to relevant legislators.

- MPCT Actuarial Assumptions Discussion

Ms. Williams reviewed the MPCT assumptions to determine contract pricing for the Board's review and decision as to what scenarios it would like GRS to run, with results to be presented at the next Board meeting. There was a discussion regarding Ms. Herbst's expectations regarding future costs of tuition and fees at State institutions in the near and medium term. The Board also discussed the current impact of COVID-19, long-term impacts the pandemic could have on the State budget and higher education funding, the future of online education, potential administrative changes, and investment probabilities. Ms. Layton suggested that in addition to the scenarios in the GRS presentation, they could look at a two percent assumption over the next five years with a higher percentage thereafter.

- MPCT Request for Proposal

Ms. Layton presented the MPCT Program Manager Request for Proposal ("RFP"), which is ready for posting. Ms. Layton also requested input from the Board as to whether to move forward with the RFP. She noted that given the current environment, including State budget decreases and hiring freezes that may make it difficult for displaced employees to transfer to other State positions. She also emphasized, however, that the Agency cannot remain on the Banner system as it is antiquated beyond a simple upgrade and without consistent and necessary IT support. There was a discussion about encouraging bidding vendors to absorb the impacted staff where possible and potential changes to the language in that provision of the RFP.

Mr. Persinger exited the meeting at this time.

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

RESOLVED, that the Scope of Work for the MCPT Program Manager RFP is approved as written but the Executive Director is encouraged to review whether revisions can be made to further address the possibility of displaced employees.

The vote was unanimous among those present, which included all Board Members except Mr. Persinger.

The Board directed Ms. Layton to notify staff and to proceed with the RFP. Treasurer Kopp noted that she would plan to join the staff meeting wherein they were notified of the RFP.

- Legal Update

Ms. Marek presented the draft revisions to Maryland regulations addressing the College Investment Plan and the State Contribution Program. The purpose of the changes is to clean up outdated language and to address certain tax filing requirements related to effective

implementation of the State Contribution Program. Upon motion duly made and seconded, it was unanimously

RESOLVED, that the Board approves the draft regulatory revisions and directs the Assistant Attorney General and staff to move forward with seeking approval from the necessary government agencies.

Ms. Marek also reported that she has been checking with other states regarding unclaimed property and found that plans are inconsistent. She has also been working on statutory updates, program disclosures and Trust revisions, comingling of State fees under the Maryland 529 three programs. She will report more at the July meeting of the Audit and Governance Committee.

- Closed Session

There being no other topics to discuss in open session, 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 §§305b(7) to receive legal advice on the calculation of minimum benefits.

Approved:  Date: 05/03/2021
Justin Hayes, Board Secretary

Exhibit List

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| 1A. Agenda | 8A. Audit & Governance Committee Report |
| 1B1. Minutes April 30, 2020 | 10A. MCIP Report (May Data) |
| 4A1. ABLE Marketing Plan FY21 | 10B. MCIP Disclosure Update |
| 4A2. ABLE Marketing Plan
FY21 summary | 11A1. Executive Director's Report |
| 4B1. ABLE Pre-Paid Card Update | 11A2. Maryland 529 Project List – 6/18/20 |
| 4B2. ABLE Budget Plan 2020/2021 | 11A3. PNC Letter |
| 5A. MD529 Marketing Plan FY21 | 11B. State Contribution Program Proposed
Changes |
| 5B. MD 529 Budget Plan 2020/2021 | 11C1. Summary of MPCT RFP – Scope of
Services |
| 6A. University Tuition Rates | 11D1. GRS - MPCT Assumptions Discussion |
| 6B. Community College Tuition Rates | 11D2. GRS Proposed Scenarios |
| 7A. Admin. Personnel & Finance
Committee Report | 12. Proposed COMAR Updates |
| 7B. Contract Renewals | |