

**Maryland 529
MEETING MINUTES**

**October 26, 2018
9:30 AM – 12:15 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
Carol Beatty, Secretary of Maryland Department of Disabilities
Pamela Purcell, Chancellor of University System of Maryland's Designee
Justin Hayes, Maryland Comptroller's Designee
Carol Coughlin
Keith Persinger
Charles Tharp
Peter Tsirigotis (by phone)
Dr. Lisa Weah (by phone)

Staff, Representatives and Guests

Erin Layton, Interim-Executive Director and Director of Investments and Cash Management
Bette Ann Mobley, Director of Maryland ABLE
Meghan Marek, Assistant Attorney General
Michelle Winner, Director of Marketing
Janaki Kannan, Director of Finance
Christine Ronk, Executive Assistant
Glenn Ross, Marquette Associates
Christine Akins, T. Rowe Price Investment Services, Inc. (TRP)
Dave McAvoy, TRP
Amy Williams, GRS (by phone)

Maryland 529

- Approval of Minutes (Exhibit 1B)

Treasurer Kopp asked for comments on the minutes for the September 20, 2018 Board meeting. Hearing none, and upon motion duly made and seconded, it was unanimously

RESOLVED, that the minutes for the September 20, 2018 Board meeting are hereby approved.

- Board Chairman's Items

Treasurer Kopp had no items to bring before the Board.

- Maryland 529 Highlights Brochure

Michelle Winner presented the Maryland 529 Highlights Brochure noting that some updates had been made on the State Contribution Program and the inclusion of use of the MCIP for public, private or parochial tuition for K-12. She explained that the brochure had been subject to legal review. After discussion and upon motion duly made and seconded it was unanimously

RESOLVED, that the Maryland 529 Highlights Brochure is approved.

- MD 529 Participant Disclosure Statements for both MPCT and MCIP

Ms. Winner next presented the 2018-2019 Disclosure Statement and contract for the Maryland Prepaid College Trust. She updated the Board on this year's revisions including an explanation of Medallion Signatures and the check expiration. The Board discussed with counsel the addition of a new section regarding a reservation of rights.

The Board next reviewed the 2018-2019 Disclosure Statement for the Maryland College Investment Plan. The Board discussed the incorporation of the K-12 revisions as well as the Account Protection Program.

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

RESOLVED, that the 2018-2019 Disclosure Statements for the MPCT and MCIP were approved.

- Maryland 529 Annual Report

Ms. Layton gave an overview of this year's production of the Annual Report. The Board congratulated staff on the improvement in process over the previous year. Ms. Layton discussed the fact that the annual Morningstar rating had not been released yet and therefore all references to the rating in the Annual Report would be removed in order to meet the deadline of October 31st.

Ms. Winner also noted that the current RFP for marketing services will be used to create the Annual Report Summary in January when the new firm has been hired.

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

RESOLVED, that the Board approves the Annual Report for Fiscal Year 2018 as presented.

Ms. Winner left the meeting at this time.

- Maryland ABLE Disclosure Booklet

Ms. Mobley presented the material revisions to the Maryland ABLE Disclosure Statement including the addition of payroll deduction and the changes in Maryland law with regard to recapture of Medicaid funds. She noted that the revisions had been reviewed by the members of the Special ABLE Committee.

There being no further discussion and upon motion duly made and seconded it was unanimously

RESOLVED, that the Board approves the Maryland ABLE Disclosure Booklet as presented.

Ms. Mobley left the meeting at this time.

- Audit, Finance and Investment Committee Report

The Committee reported that SB & Company had explained that Maryland 529 was being given a "clean" audit with no exceptions. The auditors had reviewed minor suggestions with which management concurred. The Board requested a write-up of the auditor recommendations along with management's response in a form that could also track the implementation of the recommendations.

The Board next discussed Mr. Tharp's summary and highlights of the recent meeting of the Audit, Finance and Investment Committee. The Board agreed that as to whether a manager is placed on the alert status, the AFI Committee can act alone; but the question of whether or not to add or remove a manager from the portfolio should be decided by the Board. In the event of an immediate need to make a change, a teleconference could be utilized.

Mr. Ross highlighted market and economic trends including the 2Q GDP grew to 4.2% due to higher personal consumption and 3Q is expected to be about 4.1%. The unemployment rate was at 3.7% in September with 134,000 nonfarm jobs added and CPI increased to 2.7%.

Mr. Tharp requested comment from Marquette on the performance of the stabilizers in our portfolio during the recent downturns in the market. Mr. Ross noted that the markets experienced a flash crash October 3 – 11 and the portfolio performed as expected.

At this time, the AFI Committee was requesting a change in the investment manager watch list for the MPCT. Mr. Ross noted professional turnover at Symphony and was therefore requesting to place the manager on the list as is standard practice with personnel changeover. Mr. Ross also requested that PENN be removed from the watch list as their performance had improved.

There being no further discussion and upon motion duly made and seconded it was unanimously

RESOLVED, that the Board approves the recommended changes to the MPCT the Investment Manager Watch List Update and to amend the AFI charter to allow for the committee to approve changes such as these in the future.

- GRS Pricing Scenarios

The Committee next discussed contract pricing for the Prepaid College Trust. GRS presented various scenarios. The Board discussed pricing loads and the desire to keep prices reasonable. After discussion and upon motion duly made and seconded it was

RESOLVED, that the Board adopts the prices in pricing Scenario 1 of the GRS Report.

- Administration and Personnel Committee

Mr. Newman reported to the Board that the Administration and Personnel Committee met a few weeks earlier and that he would verbally update the Board. He noted that the position

announcement and job description for the Executive Director for MD 529 was posted on October 23rd and that the MS-22 can still be altered. He stated that interviews are scheduled for mid-November and Board members are welcome to participate in the interviews.

- Maryland College Investment Plan

Ms. Akins and Mr. McAvoy covered highlights of the Plan: \$5.8 billion in assets, contributions are up 11%, distributions are up 16% and new accounts are up 24% from a year ago.

Mr. McAvoy reviewed the memo on the minimum account contribution for an MCIP account. Ms. Layton noted that this had previously been identified as an account enhancement and now T. Rowe Price is in a position to confirm its feasibility. Mr. McAvoy noted that of the top 20 state programs it is common to have \$25 be the minimum to open an account and have the minimum payroll deduction also be \$25. There being no further discussion and upon motion duly made and seconded it was unanimously

RESOLVED, that the Board accept the recommendations of TRP to lower the minimum account contribution to \$25 to open an account.

This change will be reflected in the 2018-2019 MCIP Disclosure Statement and be widely marketed including a feature in the next Newsletter.

Next, Ms. Layton discussed maximum account values. She reminded the Board this topic had come up last meeting but the Board had requested additional research and a formal recommendation before being able to take action. Ms. Layton noted that a meeting occurred between legal, T. Rowe Price and herself and the findings were part of meeting materials.

Ms. Marek discussed the Internal Revenue Code's requirement that a qualified tuition program set a maximum contribution limit. The draft Federal regulations from 1998 focused on the top account value so that if an account drops below the maximum value due to distributions or market forces, money can then be added to the balance.

Mr. McAvoy presented T. Rowe's analysis on maximum contribution limits by state, which range from \$235K to \$512K with an average of \$407K. There was then discussion on the point of the maximum plan limit currently at \$350,000; among our regional neighbors PA has a maximum limit of \$512K, VA has \$500K, and D.C. also has \$500K. The Board reviewed the numbers provided by TRP on the cumulative cost of a four-year college education for in-state and out-of-state tuition, private undergrad tuition and the projected numbers for these costs 12 years and 18 years out.

Ms. Layton made a recommendation to increase the maximum account balance to \$550K and referenced the materials provided by TRP. She explained she was averaging the cost of a high schooler, 5th grader and a newborn child who would attend 5 years of undergraduate studies followed by 2 years of graduate school. The Board noted a maximum account balance of \$550K would make Maryland an outlier. Therefore, it was recommended to change the account balance to \$500k.

There being no further discussion and upon motion duly made and seconded it was

RESOLVED, that the Board increase the account contribution maximum limit to \$500K.

Treasurer Kopp abstained from the vote.

It was also acknowledged that the new limit will apply to the ABLE program which could substantially benefit ABLE participants.

- Maryland ABLE Update

Board members expressed disappointment that BNY Mellon was not present; in the future if Mr. Balsan cannot attend the meeting in person he should attend via telephone. Ms. Mobley reviewed the third quarter numbers for the ABLE Program.

Ms. Mobley noted that two interns will be added to the team to assist with research and outreach activities. She noted that the program has begun work with Bon Secours and advertising to veterans to reach potential beneficiaries qualified by a psychiatric diagnosis code.

Ms. Mobley has made two presentations recently to national groups on Maryland 529 ABLE and is also working with Stevenson University for outreach. She added that the Board members were welcome to attend any of these outreach events and they can be found on the ABLE website.

She also reported that after some confusion with SB & Company, the annual report for the ABLE Program was underway with a goal of completion in December.

Ms. Mobley left the meeting at this time.

- Executive Director's Report

Ms. Layton noted that there are at least 2 items not ready for presentation today that will require a Board vote late in December and she suggested a Board call. She then provided updates on major initiatives for the Agency. She noted that the DoIT team has made progress on the Banner server transition to the Cloud and that all signs were pointing to the projected transition date of mid-November. Ms. Layton then noted that the Prepaid College Trust operations team had some technical challenges processing the account holder payments at the end of September. However, the team was able to resolve the issues with the help of working relationships with Texas and Washington State both of whom currently use the Banner System.

Ms. Layton then noted that the marketing agency RFP was issued on October 2, with proposals due on November 8. The evaluation committee will meet in late November and a recommendation for hire will be presented to the Board in December. Ms. Layton is also developing the RFP for the MPCT noting that she hopes to have something to the Board for review by the end of the year.

Dr. Weah left the meeting at this time.

Next, Ms. Layton discussed staffing. She noted that there are several vacancies including an account manager and reconciliation accountant but noted that interviews had been scheduled. She noted that there were also two customer service positions open, an executive administrative job, and an information technology position. Ms. Layton said all of the open positions had been posted and were in various stages of completion.

Lastly, Ms. Layton stated that with so many changes afoot, she has decided to table the move to a new office location and has asked the Department of General Services to renew the lease for the current office location for 1 year.

The Treasurer requested the Board keep the December 4 meeting on the calendar and that the November 16th meeting will be abbreviated.

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 seek advice of counsel.

Christine Akins, Dave McAvoy, Glenn Ross, and Christine Ronk left the meeting at this time.

The meeting was reopened and it was noted that no action was taken.

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

RESOLVED, that the Board meeting is adjourned at 12:15 pm.

Approved: _____



Steve Serra
Board Secretary

Date: _____

11/27/18

Exhibit List

1. Draft Minutes for the September 20, 2018 Regular Board Meeting
2. MD529 2018 Annual Report
3. MD529 2018 Highlights Brochure
4. MCIP Participant Disclosure Statement
5. MPCT Participant Disclosure Statement
6. MD ABLE Participant Disclosure Statement
7. AFI Committee Report
8. GRS Pricing Scenarios v2
9. SB & Company – MD529 Audit Committee Presentation
10. TRP – MCIP Board Report
11. MCIP Account Minimum
12. MD529 Account Maximum Recommendation
13. TRP Account Maximum Research
14. AG Memo on Maximum Account Balance and Account Contributions (MD529)
15. Maryland ABLE Q3 2018 Report
16. Executive Director Report 10-26-2018