

**Maryland 529
Meeting Minutes**

**February 7, 2019
9:30 AM – 12:10 PM**

Board Members/Designees Present

Nancy K. Kopp, State Treasurer and
Board Chair
Carol Beatty, Secretary of Maryland
Department of Disabilities
Carol Coughlin
Geoffrey Newman, Secretary of Higher
Education's Designee
Pamela Purcell, Chancellor of University
System of Maryland's Designee
Steven Serra, Superintendent of
School's Designee
Charles Tharp
Peter Tsirigotis

Present By Conference Call

Justin Hayes, Maryland Comptroller's
Designee
Keith Persinger

Board Members/Designees Absent

Dr. Lisa Weah

Staff, Representatives and Guests

Erin Layton, Interim-Executive Director
and Director of Investments and
Cash Management
Bernadette Benik, Chief Deputy
Treasurer
Bette Ann Mobley, Director of Maryland
ABLE
Kelly Nelson, Maryland ABLE
Communications & Outreach Manager
Meghan Marek, Assistant Attorney
General
Maria Dodge, Executive Associate
Glenn Ross, Marquette Associates
Jim Balsan, BYN Mellon
Sally Reinfenstahl, BYN Mellon

Christine Akins, T. Rowe Price
Investment Services, Inc.
Dave McAvoy, T. Rowe Price
Investment Services, Inc.
Menel Kotsis – Oversight Project
Manager, DoIT (by phone)

Other Attendees

Mike Hanna, Hanna & Associates

Maryland 529

- Approval of Minutes (Exhibit 1B)

Treasurer Kopp asked for comments on the minutes for the December 19, 2018 Board meeting. With technical corrections from members, it was unanimously

RESOLVED, that the minutes for the December 19, 2018 Board meeting are hereby approved, as revised.

Secretary Beatty entered the meeting at this time.

- Board Chairman's Items

Treasurer Kopp briefed the Board on nominations for the officer positions of Chair, Vice-Chair and Secretary. There is one nominee for each vacancy, those being the existing officers in

each position. No new nominations were offered. Upon motion duly made and seconded, it was unanimously.

RESOLVED, that of the Board reelects Treasurer Nancy Kopp as Chair, Geoff Newman as Vice Chair, and Steve Serra as Secretary.

- Special ABLE Committee Report

Ms. Mobley briefed the Board on the status of the Maryland ABLE accounts and outreach activities from the last quarter.

Ms. Mobley introduced, Kelly Nelson, Maryland ABLE's new Communication and Outreach Manager to the Board. Ms. Mobley also informed the Board that the Southern Ambassador position has been filled and briefed the Board on the new interns and intern projects.

Ms. Mobley discussed ongoing cooperation with the Department of Human Services, including discussion of legislation pending before the Maryland General Assembly that would streamline the process for a local DHS office to open ABLE accounts on behalf of youth in foster care.

Menel Kotsis left the meeting at this time.

Ms. Mobley also addressed the Cash Promise program resulting in less accounts than were targeted and indicated that the systems designed to support this program will assist Maryland ABLE with future programs that can benefit from the aggregate enrollment process.

There was a discussion that Maryland ABLE materials would be made available to legislators as part of Development Disabilities ("DD") Day and available in formats that could easily be included in their newsletters. There was also discussion about the continuation of a specific committee focused on Maryland ABLE.

There was a discussion and a general consensus that the ABLE Special Committee would not continue hereafter but that the Committee members would remain active in ABLE matters.

Jim Balsan, BYN Mellon, presented to the Board its 4th Quarter 2018 ABLE Report and answered questions regarding the report.

Ms. Mobley, Ms. Nelson, Mr. Balsan and Ms. Riefenstahl left the meeting at this time.

- Administrative & Personnel Report

Mr. Newman briefed the Board on the Committee's efforts to hire a new Executive Director.

The Board also discussed the consideration of Emergency Procedures for the Bylaws would be referred to the Committee once the members of the Committee are named.

- AFI Committee Report

Mr. Tharp presented the AFI Committee report to the Board. There was a discussion about technical corrections to paragraph three of the report to reflect the “quasi-bear” market, not quasi-bull market. The Committee will be reviewing bear markets, index funds, as well as passive and active management at a future Committee meeting.

The Board requested that copies of the budget documents from the last and future Committee meetings be provided as exhibits for Board meetings as well.

The Board inquired as to the status of the agency review being conducted by Office of Legislative Audits (OLA). It was reported that OLA finished its on-site activities in early December and that there has not been a firm update on when to expect a draft report. Ms. Benik explained that the Board would be given a chance to respond to review and respond to the report.

Ms. Layton presented drafts of Investment Policy Statements for the Maryland Prepaid College Trust and the Maryland College Investments Plan. After discussion of the proposed changes and upon motion duly made and seconded, it was unanimously

RESOLVED, that the proposed Maryland Prepaid College Trust Statement of Investment Policy and the Maryland College Investment Plan Statement of Investment Policy are approved.

- MCIP Review

Mr. McAvoy, T. Rowe Price Investment Services, Inc., presented the December 2018 MCIP report and answered questions pertaining to the report.

There was discussion of program use for K-12 expenses and whether such distributions could be tracked. Ms. Layton explained that they were looking at beneficiary age at distribution trends and working to overlay year-over-year data to get a better sense.

Ms. Layton explained that some states, such as Louisiana, had opened a separate plan for K-12 expenses so that legislators could more easily under program usage and assign state tax or other benefits separately

Mr. McAvoy also updated the Board on the State Contribution program, announcing that after only the first month, the program already had 5,800 applications filed for the year. It was anticipated, then, that to be fully –funded, the program would need significantly more than the statutorily-mandated \$3 million.

Treasurer Kopp pointed out that, overall, the MCIP did not see a terrific fourth quarter due to the market conditions. She noted that performance in down-markets would be part of the considerations when evaluating the justification for fees on active management.

- Executive Director's Update

Ms. Layton informed the Board that the Banner changeover would occur in the next few days. She noted that Definition 6 would stay on line for a week or so and then the servers would be returned to Maryland 529 for proper destruction.

Ms. Layton also briefed the Board regarding her discussions with DoIT regarding access to their IT person with Banner experience, on a limited basis, and the use of their helpdesk personnel. Also, Ms. Layton has met with a potential full time IT person for the Maryland 529. Previous recruitment has been unsuccessful due to the broad nature of Maryland 529's IT needs.

Ms. Layton updated the Board regarding Maryland 529's new employees. In mid-January, there was one hire for Maryland ABLE and last week Maryland 529 had five new employees begin. She also discussed the potential positions that are still open in the agency. Ms. Layton discussed changes to the agency's internal reporting structure. The Board requested that she share the proposed structure through email.

Finally, Ms. Layton presented the five potential legislative bills that may impact Maryland 529, if passed including two bills related to the income deductions Maryland taxpayers can take for their Maryland 529 contributions, and another seeking to remove certain state tax benefits if distributions are used for K-12 tuition. There was discussion regarding Maryland 529 personnel attending the legislative hearings pertaining to these bills.

- Legal and Regulatory Updates

Ms. Marek discussed the Board's fiduciary duties and the laws governing the Trust. She reminded the Board that the Public Information Act subjects Board member communication regarding State business to scrutiny, if requested, and the general processes that would be involved in responding to such requests. She also discussed the Board's obligation to complete the 2018 Ethics Disclosures online.

Ms. Marek briefed the Board on FINRA's 529 Plan Share Class Initiative, a call for brokers to self-report supervisory violations related to 529 plan share-class recommendations, noting that while the initiative is not directly applicable to Maryland 529, it illustrates on-going, and potentially increasing, oversight of the programs.

Ms. Marek informed the Board that T. Rowe Price discovered an error in the Turbo Tax software pertaining to the Maryland 529 deductions. This error has been discussed with the Comptroller's Office and Turbo Tax and they are working on a solution. It was suggested that a notice be added to the website.

- 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)(1) to discuss personnel matters related to the hiring of a new Executive Director.

Erin Layton, Christine Akins, Dave McAvoy, Glenn Ross, Mike Hanna, and Maria Dodge left the meeting at this time.

The closed session concluded and the regular session of the meeting resumed. It was noted that no action was taken.

Erin Layton and Maria Dodge entered the meeting at this time.

- New Business

There was a discussion regarding various news articles that have recently been published questioning whether State tax benefits allotted for Maryland 529 contributions should be expanded to other programs. The Board discussed how certain articles fail to examine plan performance net of fees, which would give a more complete understanding to readers. The Board then discussed fees on active and passive investments and overall plan performance.

The Treasurer requested that the April 11th Board meeting remain on the calendar and that there would be a conference call scheduled before that date, if needed.

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

RESOLVED, that the Board meeting is adjourned at 12:10 pm.

Approved: Nancy K Kopp
Nancy Kopp
Board Chairperson

Date: 5/31/19

Exhibit List

1. Draft Minutes for the December 18, 2018 Regular Board Meeting (via teleconference)
2. Maryland ABLE Special Committee Report
3. Maryland ABLE 2018 Fourth Quarter Board Report
4. Maryland ABLE Upcoming Outreach Activities
5. Administration and Personnel Committee Report
6. Audit, Finance and Investment Committee Report
7. Draft Maryland Prepaid College Trust Statement of Investment Policy
8. Draft Maryland College Investment Plan Statement of Investment Policy
9. T. Rowe Price – MCIP Board Report
10. Executive Director's Report
11. Attorney General's Fiduciary Duty Presentation
12. "Better college savings." *Baltimore Sun*, 02 Jan. 2019.
13. Beverungen, Matt. "Help for college savings." *Baltimore Sun*, 08 Jan. 2019.
14. Wenger, Yvonne. "Special accounts allow disabled adults in Maryland to collectively save \$4 million without jeopardizing benefits." *Baltimore Sun*, 04 Jan. 2019.