

Maryland 529
Final Meeting Minutes

April 11, 2109
10:00 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
Justin Hayes, Maryland Comptroller's
Designee
Geoffrey Newman, Secretary of Higher
Education's Designee
Pamela Purcell, Chancellor of University
System of Maryland's Designee
Charles Tharp

Present By Conference Call

Keith Persinger
Peter Tsirigotis
Dr. Lisa Weah

Board Members/Designees Absent

Steven Serra, Superintendent of School's
Designee

Staff, Representatives and Guests

Bernadette Benik, Chief Deputy Treasurer
Stephen McGowan, Executive Director
Janaki Kannan, Director of Finance
Erin Layton, Director of Investments and
Cash Management
Meghan Marek, Assistant Attorney
General
Bette Ann Mobley, Director of Maryland
ABLE
Maria Dodge, Executive Associate
Christine Akins, T. Rowe Price Investment
Services, Inc.
Dave McAvoy, T. Rowe Price Investment
Services, Inc.
Glenn Ross, Marquette Associates

Maryland 529 Board Meeting

- Approval of Minutes

Treasurer Kopp asked for comments on the minutes from the February 7, 2019 Board meeting. With corrections from members and upon motion duly made and seconded, it was unanimously

RESOLVED, that the minutes for the February 7, 2019 Board meeting are hereby approved, as revised.

- Board Chairman's Items

Treasurer Kopp briefed the Board on potential restructuring of Board Committees for the upcoming year:

1. Audit, Finance and Investment Committee will now be Investment Committee with responsibility for audit and governance issues being removed from the Committee Charter.
2. Administration and Personnel Committee will not have a change in duties but will still review its Charter for any updates; and
3. New Audit and Corporate Governance will be formed which will look more deeply at relationships between Board and Management. It should be composed of people from both of the Investment Committee and the Administration and Personnel Committee. Mr. Tsirigotis will Chair the Committee and the members will consist of Mr. Tsirigotis, Mr. Newman, Mr. Hayes and Ms. Coughlin.

The charters for the three committees will need to be reviewed and redrafted and a determination of whether they are standing or special committees will need to be made.

Mr. Persinger joined the meeting at this time.

There was discussion of the structure of the current committees. Treasurer Kopp will circulate a draft of committee charters and a list of committee members.

Upon motion duly made and seconded, it was unanimously

RESOLVED, that the Board approves the restructuring of the Board Committees to include three standing committees: the Investment Committee, Administration and Personnel Committee and Audit and Governance Committee with updated Charters to be drafted and distributed to the Board for review and approval.

Treasurer Kopp informed the Board that the legislative audit report will not be coming out immediately. She further explained that, as Board Chair, she will receive a copy of the audit. The Board will be notified when the audit report is received.

Treasurer Kopp welcomed the new Executive Director and Chief Executive Officer, Steve McGowan to Maryland 529. Treasurer Kopp informed the Board that Erin Layton will return to her full-time role as Director of Investments and Cash Management and thanked Ms. Layton for her service as Interim-Executive Director and for taking on that role while continuing to act as the agency's investment officer.

Treasurer Kopp reminded the Board that Ethics Reports are due at the end of April.

- ABLE Committee Report

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

Ms. Mobley discussed the reestablishment of goals for the end of the fiscal and the new process of helping institutions that serve as Representative Payees for the administration of Social

Security benefits, establish ABLE accounts for qualified beneficiaries with the institution as the Authorized Legal Representative on the account. Ms. Mobley explained how this creates administrative efficiencies for the institutions as well as increase plan enrollments.

Ms. Mobley also addressed the successful passage of Senate Bill 732 by the Maryland General Assembly which addressed some of the concerns the Maryland Department of Human Services with respect to opening ABLE accounts for foster youth. On the topic of federal legislation, she requested permission from the Board to join the lobbying efforts of National Association of State Treasurers (“NAST”) to seek State legislators sponsor Senate Bill 651, the ABLE Age Adjustment Act, which increases the age of onset of a disability from 26 to 46 for purposes of qualifying as a beneficiary for an ABLE account. Ms. Mobley requested direction from the Board to begin communications between Maryland 529 and other necessary agencies to support SB 651. Upon motion duly made and seconded, it was unanimously

RESOLVED, that Maryland 529 would sign on to the NAST ABLE Network and seek support from Maryland legislators to co-sponsor the ABLE Age Adjustment Act.

Secretary Beatty entered the meeting at this time.

Ms. Mobley presented the remainder of her report, including results of an account holder survey, personnel recruitment, the ABLE program booklet being drafted by another agency and upcoming presentations.

Mr. Newman left the meeting.

There was discussion that the Maryland ABLE’s Strategic Outreach Plan, which had previously been submitted to the ABLE Special Committee, would be submitted to the Board annually.

Mr. Newman returned to the meeting.

- Audit, Finance and Investment Report

Mr. Tharp briefed the Board that although there has been no Committee meeting since the last Board meeting, there is an active management working group meeting this coming week that will report to the full Committee at the next Committee meeting.

- Financial Operations Report

Ms. Kannan presented the financial report for the period of July 2018 through February 2019. Ms. Coughlin requested that the Agency supply comparisons versus last year’s numbers. After discussion, it was determined that, to the extent figures from previous years are available, this will be done at future meetings.

Ms. Kannan presented the operating revenue and expense results to the Board. There was discussion about looking at statistical data analysis and the various factors that need to be

considered during the process to determine future direction for Maryland 529. Ms. Coughlin suggested that we do an analysis of prediction v. actual. There was additional discussion regarding software licensing, general revenue, and open staffing positions.

The conference line was disconnected and reconnected. Dr. Weah and Mr. Persinger re-entered the meeting.

Mr. McGowan informed the Board that interviews for the Office Services Clerk were being finalized this week, that two of the Director of Operations interviews had been scheduled with several more being scheduled and the IT Manager's advertisement was posted today.

Ms. Kannan continued to brief the Board on Budget v. Actual expenses.

Ms. Kannan presented the Maryland ABLE Operating Revenue and Expenses to the Board. There was a discussion regarding the State Funding that has been approved but was not allocated in the budget for the Maryland Higher Education Commission (MHEC). Ms. Kannan will follow up with appropriate State personnel and report back to the Board.

- Lease Status Report

Mr. McGowan presented the Office Leasing Options to the Board. After a discussion of the leasing options and landlord issues, and

Upon motion duly made and seconded, it was unanimously

RESOLVED, that the Board authorizes the Executive Director to negotiate with Department of General Services to obtain the best possible deal to enter into an agreement for a five (5) year lease in the building.

- Executive Director's Report

Mr. McGowan briefed the Board on the Financial Operations of Maryland 529 including the Market Values, Banking and Accounting Operations.

Mr. McGowan updated the Board on the Request for Proposals ("RFP") for Maryland 529. The Marketing and Public Relations Services RFP has closed and there were four (4) responses. All proposals passed initial qualifications requirement and oral presentations are being scheduled. A draft for the Prepaid College Trust RFP is in process. The Banking Services proposals are due on April 24, 2019. Treasurer Kopp added that there are new provisions on future contracts coming from the Governor's Office that Ms. Marek should review.

Mr. McGowan presented to the Board that a Procurement Policy has been drafted and associated procedures and a procurement schedule have been updated and are being verified. The Executive Director will be reviewing policies and procedures in April.

Mr. McGowan presented Administration and Personnel update to the Board, which included a summary of office activity that included: staff meetings, compliance and safety evaluations, the development of a handbook/orientation manual, employee staffing status, and training.

Mr. McGowan informed the Board that he has completed online training. Treasurer Kopp would like to know if any of the other staff needs to complete the training that the Executive Director has completed. Mr. Newman discussed his communication with Department of Budget and Management (“DBM”) about DBM’s personnel being available to cross-assist between Maryland Higher Education Commission and Maryland 529.

Mr. McGowan noted that the Office of Legislative Audits report is expected sometime in May. The initial responses to the independent auditor, SB & Company, are being validated and will be presented to the new Audit and Corporate Committee.

Mr. McGowan discussed communications with telephone companies about the availability to monitor our customer service calls in more detail to improve the customer service experience. The Agency is also working on adherence to the Records Retention Process, cleaning up the facility and upgrading the postage system and letter handling machine.

Mr. McGowan presented a summary of the Maryland Prepaid College Trust (“MPCT”) operations for the fiscal period.

Mr. McAvoy updated the Board on planned updates to the College Investment Plan’s New Account Set-Up process that improves the customer experience. These improvements will also allow more analytics to be performed.

- Investment Report

Ms. Layton presented an investment summary to the Board. She noted that there are no concerns regarding performance and that the MPCT portfolio rebounded from the 2018 year-end losses very quickly.

- Legal and Regulatory Updates

Ms. Marek summarized the 2019 Maryland General Assembly noting that while several bill would have increased the income deduction available to Maryland taxpayers for contributions to the college savings plans, the only bill to pass the General Assembly was the previously-discussed SB 732, which sought to simplify ABLE enrollment for beneficiaries in foster care.

Ms. Marek also presented briefed the Board on federal legislation including the status of two retirement bills, the Setting Every Community Up for Retirement Enhancement (“SECURE”) Act in the House and the Retirement Enhancement and Savings Act (“RESA”) in the Senate. The House bill contains several provisions affecting 529 plans including expansion of allowable qualified higher education expenses to include:

- costs associated with Department of Labor-certified apprenticeship programs;

- homeschool expenses;
- loan repayments for the beneficiary and a sibling of the beneficiary (capped at \$10,000 total for each, not \$10,000 annually); and
- expansion of allowable K-12 expenses for public, private and religious schools to mirror the expenses permitted by Coverdell accounts.

Ms. Marek noted that the SECURE Act enjoyed bipartisan support and would be effective for 529 distributions made after December 31, 2018. While the Maryland 529 programs would have to revise the Disclosure Statements to reflect the changes if the bill becomes law, the primary impact will be for Account Holders and their distribution choices and tax reporting.

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
Treasurer Nancy Kopp, Board Chair

Date: 7/25/19

Exhibits List

- 1B Minutes from February 7, 2019 meeting
- 3A ABLÉ Report to the Maryland 529 Board and Scheduled Outreach Events Open to Public
- 3B-1 Background Brief for ABLÉ Age Adjustment Act
- 3B-2 Draft Letter to Senate/Representative Age Adjustment Act
- 3B-3 Senate Member List
- 3C Maryland ABLÉ Feedback Survey
- 5 Maryland 529 Prepaid College Trust and Maryland ABLÉ Statement of Operations
- 6 Lease Report
- 7 Executive Director Report
- 8 Legislative Update