

**College Savings Plans of Maryland Board
FINAL MEETING MINUTES**

**June 24, 2015
9:30 AM – 1:00 PM**

**College Savings Plans of Maryland
217 E. Redwood Street, Suite 1350
Baltimore, MD 21202**

Board Members/Designees Present

Nancy K. Kopp, State Treasurer and Board Chair
Helene Grady, Board Vice Chair
Emily Hollis, Comptroller's Designee
Pamela Purcell, Chancellor, University System of Maryland's Designee
Geoffrey Newman, Secretary of Higher Education's Designee
Monica Kearns, Superintendent of Schools' Designee
Russell Kelley
John Kenney

Board Members/Designees Absent

Lewis Robinson, Board Secretary

Staff, Representatives and Guests

Andrew Friedson
Mary Christine Jackman
Jessica Papaleonti
Joshua Fretz
Lara Hjortsberg, Assistant Attorney General
Bernadette Benik, Chief Deputy Treasurer
Tom Kazmierczak, Jr., T. Rowe Price Investment Services, Inc.
Dominic Janssens, T. Rowe Price Investment Services, Inc.
Audra Jones, T. Rowe Price Associates, Inc.
Felicia Bennett, Wilshire Associates Incorporated
Calvin Born, Wilshire Associates Incorporated

College Savings Plans of Maryland ("CSPM")

- Approval of Minutes for Prior Open Sessions

Treasurer Kopp asked for comments on the minutes. Treasurer Kopp requested that the May 19, 2015 Board meeting minutes be amended to include the Board's expression of its appreciation for Gary Dorsch's service and his contributions. It was

agreed that approval of the minutes would be tabled until next week to give the Board members time to review them.

- Executive Director's Report

Mr. Friedson noted that the staff of CSPM has been working very hard during this time of transition and willingly accepted additional responsibilities. He stated that funding for the new marketing firm was approved by the Board of Public Works. He added that the network services RFP was cancelled and an emergency, sole-source, 6 month contract with Interversant, the current provider, with a not-to-exceed contract amount of \$24,950 to perform routine upgrades on the agency's network should be approved soon. He noted the agency was targeting a July release date for a new RFP to upgrade the network in.

Mr. Friedson then explained the current status of CSPM's banking services. He described the situation concerning the SunTrust account, where 11 fraudulent checks for approximately \$38,000 were cashed, noting that SunTrust refunded all funds and therefore, the Trust was not impacted. He noted that all remaining funds in the SunTrust account will be removed from the account by June 30, 2015. He explained that CSPM staff had contacted account holders with ACH payroll deductions going to the SunTrust account to explain what steps they were to take to change the recipient bank to Wells Fargo. With the CSPM award of the banking contract to Wells Fargo, all remaining funds in the Sun Trust accounts will be moved to Wells Fargo.

Mr. Friedson stated that the reconciliation of all CSPM accounts is underway. He noted that CSPM's compliance software is Clearwater and that all of the benchmarks and policies have been uploaded. He stated that three portfolios were found to be outside of their parameters but Managers are taking steps to get back into compliance. It was noted that the managers are following the policies and that there are no serious concerns with compliance. A discussion followed as to the steps taken if a manager is found to be out of compliance. It was noted that if a manager remained out of compliance for any significant period of time the Board would be notified in order to take appropriate action. It was also noted that Wilshire would present a recommendation to the Board regarding appropriate action regarding compliance issues.

Mr. Kenney moved to approve the movement of the \$15 million SunTrust money market account to a higher yielding vehicle. After discussion and with an appropriate second, it was unanimously

RESOLVED, that the Board hereby directs the staff of CSPM to find the best investment vehicle for overnight investments for the \$15 million currently held in the SunTrust Bank money market account.

It was noted that neither the external auditor nor the legislative auditor raised the SunTrust bank account issue. It was further noted that the Audit & Finance Committee

would review the scope of the audit contract. The Board members requested that SB & Company attend the next Audit & Finance Committee meeting.

Mr. Kenney then reviewed the Audit & Finance Committee's recommendation with respect to the Board's Directors & Officers (D&O) insurance coverage. He directed the Board members to a letter from the Assistant Attorney General to the State Treasurer's Office that confirmed that the Maryland Torts Claims Act (MTCA) covers all Board members and designees. He noted that additional insurance from Chubb (if purchased) would provide someone suing the Board an amount up to \$5 million as opposed to the statutory liability limitation under the MTCA. It was further noted that if the agency wanted to procure D&O insurance, it should do so by going through the State Treasurer's Office's insurance division.

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

RESOLVED, that, based on the understanding that the Board is covered under the Maryland Tort Claims Act, as noted in advice of counsel to the State Treasurer's Office, the Board directs that CSPM not renew its D&O insurance.

Mr. Friedson then reviewed the Mandatory Fee Categories for 2015-2016. He noted that the types of fees covered are the same as last year, and they include both community colleges and 4 year universities.

Upon motion duly made and seconded, it was unanimously

RESOLVED, that the Board hereby approves the Mandatory Fee Categories for 2015-2016 as presented at this meeting, and following the advice of the University System of Maryland finance office, with the understanding that the list will be verified to ensure it encompasses all of the relevant categories.

Mr. Friedson next reviewed with the Board the FY 2016 operating budget. In reviewing the budget with the Board, Mr. Friedson noted that there was a revenue shortfall due to slower than anticipated growth in enrollees in the Trust. Five vacancies remain in the 20-person agency and recruitment is now being carried out.

Upon motion duly made and seconded, it was unanimously

RESOLVED, that the Board hereby re-approves the FY 2016 operating budget previously approved in December 2014.

- Presentation of 2015-2016 Marketing Plan

Lauren Shipley joined the meeting at this time. Kevin O'Keefe and Shanna Nardone from Weber Shandwick joined the meeting at this time.

Ms. Shipley reviewed the enrollment numbers for the MPCT. She explained that the MPCT has not seen the same growth as the MCIP. Ms. Jones discussed the recent enrollment numbers for the MCIP and detailed how the advertising focus has shifted from radio to television.

Ms. Shipley described the Lego-building contest with Port Discovery. She noted that CSPM will still have a presence at back-to-school events and PTA meetings. Ms. Jones added that T. Rowe Price has reached out to unconverted inquiries to increase contribution levels. She stated that CSPM's webpage is going through a redesign and shared pictures of the new site.

In response to a question, Ms. Shipley said that she would send out data from a 2013 marketing research study to the Board. Ms. Jones noted that existing account holders are a great resource to study to better understand investor behavior. Ms. Shipley added that social media is an area that CSPM will further explore with the help of Mr. O'Keefe and Weber Shandwick.

Ms. Shipley presented the agency staff's recommendation with respect to the enrollment period for the upcoming year. She noted that the recommendation was for the enrollment period to open December 1, 2015 and end on April 20, 2016. There followed a discussion of the reason for an enrollment period as opposed to an open enrollment throughout the year. It was noted that the reason was largely an operational issue and that the enrollment period allowed the agency to focus its marketing efforts during that period. It was also noted that pricing of the contracts was based on the age of the child (beneficiary) at September 1, with those prices effective from December 1 until November 30.

Upon motion duly made and seconded, it was unanimously

RESOLVED, that the Board hereby approves an enrollment period beginning on December 1, 2015 and ending on to April 20, 2016 for FY 2016.

Ms. Shipley, Mr. O'Keefe, and Ms. Nardone left the meeting at this time.

Maryland College Investment Plan

- T. Rowe Price / Bank of New York Mellon Discussion

Mr. Janssens discussed the transition of a number of employees and services from T. Rowe Price to BNY Mellon. He stated that 220 employees would be affected and the transition would take 2 to 3 years. He explained that several other firms have undergone similar changes in their organizations.

Upon motion duly made and seconded, it was unanimously

RESOLVED, that the Board hereby approves the recommendation from the Administration and Personnel Committee that CSPM accept T. Rowe Price's proposal to transition NAV / fund accounting to the Bank of New York Mellon.

Mr. Janssens left the meeting at this time.

- MCIP Monthly Report

Mr. Kazmierczak reported that MCIP assets had increased by 10% year-over-year. He also noted growth in contributions and a 25% increase in unique website visits. He also highlighted the addition of the unique beneficiary balances to his report.

- T. Rowe Price Weighted Benchmark Discussion

Ms. Hjortsberg reported on the misstatement of the weighted benchmark for Portfolio 2015. She reviewed with the Board the changes to relative performance of the portfolio as compared to the corrected weighted benchmark, highlighting three instances in which the correction caused the relative performance to change direction. She noted that she had reviewed the issue with T. Rowe Price and agreed that the misstatement was not material. She also reviewed with the Board the corrective actions that had been taken and that would be taken with respect to the weighted benchmark for the portfolio.

- Report on Foreign Accounts

Mr. Kenney summarized the issue regarding foreign accounts. He explained that there were certain instances where account holders who had opened accounts while in the United States subsequently moved outside of the United States. He stated that T. Rowe Price had recommended that, due to several factors, including international financial regulations and the application of foreign securities laws to the MCIP and T. Rowe Price, that the MCIP not accept additional contributions from these account holders but continue to allow distributions. Mr. Kazmierczak explained that T. Rowe Price is not registered in these countries and can therefore not sell securities to their residents. Treasurer Kopp noted that CSPM should determine whether the MPCT should adhere to similar restrictions regarding foreign accounts. Mr. Kenney provided that the Audit & Finance Committee recommended that CSPM adopt its own policy. It was also noted that changes to the Disclosure Statement with respect to this issue should be minor.

Mr. Kazmierczak and Ms. Jones left the meeting at this time.

Maryland Prepaid College Trust

- Wilshire Presentation

Ms. Bennett reported that it is time to update the Asset Liability Study, and the results will be presented at the August board meeting. She noted that since the Trust's funding status has improved, the allocation recommendation will likely be more conservative than the current recommended allocations. She detailed the current account allocation recommendations versus the current account holdings and discussed the structure of each asset class. She also stated that the DFA mutual fund is ready to be funded.

Ms. Bennett explained that the existing dollar cost averaging schedule will be followed until the August board meeting, at which point adjustments may be made. She noted that she will consult with her team to determine if the transition to the new allocation should be accelerated. She said her team would also decide whether there should be an interim adjustment to the allocation to reduce risk while a new investment policy is being considered.

Mr. Friedson commented that the DFA account has not been funded because certain documents need to be reviewed and signed before funding takes place. He stated that he would update the Board as soon as the situation is resolved.

- State Street (SSgA) Update

Ms. Hjortsberg reported that SSgA told her that the Agreement of Trust (AOT) for the World Index Fund was effectively signed by the former CIOO while she had the authority to do so and that SSgA considered it an effective agreement requiring only appropriate changes to the authorized signer and verifier list to reflect the changes in CSPM's management team. Ms. Hjortsberg noted that her concerns with the AOT regarded the indemnification obligations that were not in line with the Board's policy on indemnification but that the Board could approve an exception for this AOT. She noted that as written the clause limits the indemnification to the amount of the investment, while the adopted Board policy limits the Trust's indemnification under management agreements to the amount of uncalled capital commitments (which in this case would be \$0 because it would be fully funded at one time). She also noted that the agreement did not include an indemnification obligation on the part of the manager, which was a requirement the Board had included in its policy for all managers, regardless of the form of investment.

Upon motion duly made and seconded, it was unanimously

RESOLVED, that the Board hereby approves an exception to CSPM's policy on indemnification for the SSgA AOT for the World Index Fund, such that the AOT as previously executed by an officer of the agency is ratified and approved in the form executed.

- Rollover / Refund Calculation Discussion

Mr. Friedson described the process of calculating refunds and rollovers from the MPCT.

Audit & Finance Committee Report

- Legislative Audit Report

Mr. Kenney reported that the final report from the legislative auditors would be released within the month and that the agency had provided the Board with a copy of its response.

Administration & Personnel Committee Report

Treasurer Kopp stated that an Executive Search Committee had been formed to fill CSPM's leadership positions. The members of the Executive Search Committee were Ms. Grady, Mr. Newman, Ms. Purcell, and Mr. Robinson, and it was staffed by Ms. Benik. She stated that a decision needs to be made whether to use a national search firm and noted that an RFP would have to be issued if a search firm is used, a time-consuming process. It was also noted that there would need to be up-dated and refined job descriptions for the CEO, CFO and CIO positions, including reallocation of certain functions.

Mr. Friedson reviewed the agency's organization chart, noting four vacancies plus the position currently held by the Interim CIO. It was noted that before launching a social media presence, it would be necessary to address necessary organizational changes. He also noted that with the present structure the agency is totally dependent on a call center, which presently is only taking messages. He explained the ongoing issues with the call center, including delays in returning calls and difficulties encountered by account holders in reaching CSPM staff. He noted that \$75,000 was budgeted for the call center and that \$600,000 was budgeted for personnel but not currently being spent, so that there was room within the existing approved budget to make the organizational changes he was suggesting.

Upon motion duly made and seconded, it was unanimously

RESOLVED, that the Board hereby approves allowing CSPM's contract with the call center to lapse or determine such other alternatives as the Executive Director deems necessary and appropriate.

It was noted that the next several items on the agenda required a closed session. At Treasurer Kopp's request Ms. Hjortsberg explained that the reasons for closing the meeting was in accordance with General Provisions Article §§3-305(b)(1), (8), (12), (13) and (7) to (a) discuss a personnel matter that affects one or more specific individuals; (b) discuss an investigative proceeding on actual or possible criminal conduct; (c)

consult with staff, consultants or other individuals about pending or potential litigation; (d) comply with a specific statutory requirement that prevents public disclosure, and (e) obtain the advice of counsel with respect to these matters. Ms. Hjortsberg explained that the records related to account holders and beneficiaries are protected from disclosure under §4-314 of the Maryland Public Information Act. She further noted that Treasurer Kopp had signed the *Presiding Officer's Written Statement for Closing a Meeting* ("Statement to Close") to this effect. The Statement to Close is attached to these minutes as Exhibit 1.

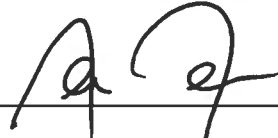
Upon motion duly made and seconded, it was unanimously

RESOLVED, that the CSPM Board move into a closed session to receive the report of the Special Committee, in accordance with (A) §§3-305(b)(1), 3-305(b)(12) and 3-305(b)(7) of the General Provisions Article of the Maryland Annotated Code, to receive the report of the Special Committee with respect to the completion of an internal investigation and to obtain the advice of counsel with respect thereto, (B) §§3-305(b)(1), 3-305(b)(8) and 3-305(b)(7) to discuss a database review project and to obtain the advice of counsel with respect thereto, (C) §§3-305(b)(13) and 3-305(b)(7) to discuss an account holder issue and to obtain the advice of counsel with respect thereto.

All Board members, Ms. Benik and Ms. Hjortsberg remained for the closed session. The closed session concluded and the regular session of the meeting resumed at 1:42 p.m. The Board accepted the report of the Special Committee and directed the Executive Director to communicate to the account holder its decision with respect to the rollover calculation using the since inception rate of return calculation. No other action was taken by the Board during the closed session. The time, place, and record of the vote to close the meeting are included in the *Statement to Close*.

Treasurer Kopp asked if there were any further items to be addressed. There being no further business, and upon motion duly made and seconded, it was unanimously,

RESOLVED, that the meeting is hereby adjourned.

Approved:  _____
Andrew Friedson
Interim Executive Director – for Board Secretary

Date: 9/24/15

EXHIBIT LIST

1. Presiding Officer's Written Statement for Closing a Meeting Under the Open Meetings Act (§§3-305(b)(1), (8), (12), (13), and (7))
2. Agenda for the June 24, 2015 Regular Board Meeting
3. Draft Minutes for the March 20, 2015; April 30, 2015; May 6, 2015; May 19, 2015; and May 28, 2015 meetings
4. D&O Insurance Memo from Mr. Friedson
5. Maryland Tort Claims Act Memo from Assistant Attorney General David Chaisson, Counsel to the State Treasurer's Office
6. D&O Insurance Proposal
7. List of Mandatory Fees for 2015-2016
8. FY 2016 Agency Operating Budget
9. Marketing and Public Relations Plan 2015 - 2016
10. Maryland College Investment Plan
 - a. Monthly Report for May 2015
 - b. Portfolio 2015 Weighted Benchmark Corrections
 - c. Foreign Accounts Policy Proposal
 - d. NAV / Fund Accounting Transition to Bank of New York Mellon
 - e. Executive Summary of Investment Performance – 1st Quarter 2015 - Wilshire
11. Maryland Prepaid College Trust
 - a. Executive Summary of Investment Performance – 1st Quarter 2015 - Wilshire
 - b. Portfolio Allocations – Wilshire
12. Legislative Audit Report