

**Maryland 529 Board
MEETING MINUTES**

**December 9, 2016
9:00 AM – 1:00 PM**

**Maryland 529
217 E. Redwood Street, Suite 1350
Baltimore, MD 21202**

Board Members/Designees Present

Nancy K. Kopp, State Treasurer and Board Chair
Carol Beatty, Secretary of Disabilities
Andrew Friedson, Comptroller's Designee
John Kenney
Geoffrey Newman, Secretary of Higher Education's Designee
Keith Persinger
Pamela Purcell, Chancellor, University System of Maryland's Designee
Steven Serra, designee for the State Superintendent of Schools
Dee Anna Sobczak
Charles Tharp

Board Members/Designees Absent

Carol Coughlin

Staff, Representatives and Guests

Lauren Shipley, Executive Director
Angeline Huffman, Chief Financial Officer
Bernadette Benik
Susanne Brogan
Mary Christine Jackman, Interim Chief Investment Officer
Aaronda Parker
Meghan Marek
Glenn Ross, Marquette Associates
David Smith, Marquette Associates
Tom Kazmierczak, T. Rowe Price Investment Services, Inc.
Kim DeDominicis, T. Rowe Price Investment Service, Inc.
Audra Jones, T. Rowe Price Investment Services, Inc.

Maryland 529 Board Meeting

- Approval of Minutes

Treasurer Kopp asked for comments on the minutes for the regular October 28, 2016 Board meeting. Upon motion duly made and seconded, it was unanimously

RESOLVED, that the minutes for the October 28, 2016 Board meeting are hereby approved.

- 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 §§3-305(b)(1), (7) and (13), (14) of the General Provisions Article of the Maryland Annotated Code to discuss personnel matters and to discuss portions of the bid proposals for MCIP Program Manager that contain confidential commercial information and contract negotiations.

Ms. Parker, Ms. Huffman, Mr. Ross and Mr. Smith left the meeting at this time. The closed session concluded and the regular session of the meeting resumed. Ms. Parker, Ms. Huffman and Mr. Ross and Mr. Smith entered the meeting at this time.

Treasurer Kopp reported that the Board met the candidate for the Director of Investment and Cash Management Position and discussed those portions of the MCIP Program Manager procurement that concerned confidential commercial information of the bidders and contract negotiations. Treasurer Kopp then reported that no Board action was taken.

- Program Manager RFP Recommendation

Ms. Jackman presented the recommendation of the evaluation committee that the MCIP Program Manager contract be awarded to T. Rowe Price. She explained that the evaluation committee ranked T. Rowe Price first for its technical proposal and for its financial proposal.

Ms. Jackman explained the competitive procurement process and the dedication of the evaluation committee in thoroughly reviewing the documentation provided and finding the best service and cost for Plan participants. Treasurer Kopp noted that after being posted for three months, three companies submitted responses to the RFP, all of which met with the evaluation committee for oral presentations. Maryland 529's investment advisors, Marquette and Associates, were technical advisors to the evaluation committee as well.

The Board discussed its pleasure that the top-ranked technical proposal also provided the lowest overall cost to the Plan participants.

Upon motion duly made and seconded, it was unanimously

RESOLVED, that the Maryland 529 Board recommends to the Board of Public Works that the MCIP Program Manager contract be awarded to T. Rowe Price.

Ms. Shipley explained that contract negotiations would commence and that Board of Public Works approval would be sought at its January 25th meeting.

- Board Chairman's Items

D&O insurance

Ms. Marek discussed the background provided in the memorandum distributed to the Board. Board members discussed sovereign immunity and the role of the Attorney General's office as well as the Treasurer's office. A committee was formed to continue discussions and fully brief the issues raised.

Executive Director's Report

Ms. Shipley presented her recommendation that the ABLÉ program be implemented through contracting with an outside agency, another state, or a consortium of states rather than in-house. Ms. Shipley explained that the resources required to successfully run the program in-house are not readily available, and would be difficult to put in place an in-house program with a goal to launch in Fall 2017..

After additional discussion of the program background and outside implementation options, and upon motion duly made and seconded, it was unanimously

RESOLVED that the ABLÉ Program would be implemented using external management and that a special committee will be appointed by the Board Chair to continue to research and consider implementation options. The special committee would be chaired by Secretary Beatty.

Ms. Shipley presented the Executive Director's Report beginning with a discussion of the Prepaid College Trust's operational statistics, including calls received, emails received and benefits processed since September 1, 2016. She reported that the first week of enrollment ended with 80 new enrollments.

Ms. Shipley briefed the Board on the implementation of electronic checks.

Ms. Shipley concluded by giving an update on the reports due for the Legislature including a customer service update and ABLÉ implementation. She explained that there may also be legislation introduced seeking to have Maryland 529 offer an FDIC insurance product to its customers.

- Administration and Personnel Committee Update

Mr. Newman updated the board on implementation of evaluations, both for the Board and for the Executive Director. He presented the new performance evaluation process including an Executive Director Performance form, and the Executive Director feedback instrument and explained a plan to conduct the first performance evaluation in January, 2017 with a mid-year follow-up.

Upon motion duly made and seconded, it was unanimously

RESOLVED that the evaluation process outlined by the Administration and Personnel Committee would be implemented.

Ms. Shipley gave a staffing update including the hiring of procurement officer, three account clerks and the recent closing of the Director of Operations application period. She went on to explain that six candidates will be interviewed for the ABLE community relation position has been narrowed to with the hiring panel will consisting of Carrie McGraw, Director of Director of Communications for Maryland Department of Disabilities, Ms. Shipley and Michelle Winner.

- Audit and Finance Committee Update

- Asset Allocation Recommendation

Mr. Kenney gave an overview of the Audit & Finance Committee's consideration of the investment manager recommendations provided in the handout from Marquette (Exhibit D). Mr. Ross and Mr. Smith then reviewed the various asset managers with the Board including the Vanguard Mid-Cap Index Fund for U.S. mid cap equity, the UBS Trumbull Property Fund for Core US Real Estate, and T. Rowe Price Non-US small cap.

After further discussion of the recommendations including the associated fees, volatility of the investment choices and the managers' overall fit with the rest of the Prepaid Trust portfolio, upon motion duly made and seconded, it was unanimously

RESOLVED that the recommendations to add the Vanguard Mid-Cap Index Fund, UBS Trumbull Property Fund and T. Rowe Price (as a Non-US small cap manager) are hereby approved.

- Fiscal Year 2018 Budget for Legislature

Ms. Huffman presented the FY 18 budget to the Board. The Board asked questions regarding personnel expenditures given various staffing changes. The Board also asked that the budget be clarified to show software expenditures are for one-time upgrades. The Board also discussed with Ms. Huffman the tracking of ABLE funding.

Upon motion duly made and seconded, it was unanimously

RESOLVED that the fiscal year 2018 budget for the legislature is hereby approved with the recommended clarification.

Ms. Jackman updated the board that the balance of the Prepaid Trust as of December 9, had reached 957 million and that the overall investments in both programs had exceeded \$5 billion.

Ms. Jackman also informed the Board that a final payment from the Countrywide settlement was anticipated.

- Marquette Associates

Mr. Smith and Mr. Ross presented Marquette's November 2016 Investment Report (Exhibit H). The Board asked questions regarding the cash allocation and Mr. Ross stated that the Investment Policy is your roadmap and provides for 3% cash. The Trust currently has 3.2% cash and it is recommended the Board abide by the Policy Statement and not make any short-term adjustments at this time.

- T. Rowe Price

Mr. Kazmierczak reviewed the T. Rowe Price December monthly report for the College Investment Plan. He also briefed the Board on a new recordkeeping system T. Rowe Price is bringing online which will make online statements available for customers along with personalized video discussing about their accounts. Mr. Kazmierczak took further questions from the Board.

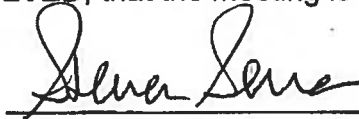
Ms. DeDominicis presented the Quarterly Investment Report and took questions from Board members. She was asked to create a chart that would help show the weighted average of the investments held in each of the various funds.

Treasurer Kopp then announced that the Board had voted to recommend the MCIP Program Manager contract be awarded to T. Rowe Price and congratulated the company on its successful bid and past service to Maryland 529.

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:



Steven Serra
Board Secretary

Date:

2/23/16

EXHIBIT LIST

1. Agenda for the December 9, 2016 Regular Board Meeting
2. Draft Minutes for the October 28, 2016 Board Meeting
3. D&O Insurance Memorandum
4. ABLE Program Implementation Recommendation

5. Asset Allocation Recommendation
6. Approval of FY18 Maryland 529FY18 budget for the Legislature
7. Executive Director's Report
8. Marquette November 2016 Investment Report
9. Maryland 529 2016 Annual Report and Summary
10. T. Rowe Price Investment Report