

**Maryland 529
MEETING MINUTES**

**October 26, 2017
9:30 AM – 12:30 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
Carol Coughlin
Justin Hayes, Maryland Comptroller's Designee
Keith Persinger
Pamela Purcell, Chancellor of University System of Maryland's Designee
Charles Tharp
Dr. Lisa Weah (by phone)

Staff, Representatives and Guests

Erin Layton, Interim-executive Director and Director of Investments and Cash Management
Bernadette Benik, Deputy Treasurer
Bette Ann Mobley, Director of Maryland ABLE
Michelle Winner, Marketing Director
Meghan Marek, Assistant Attorney General
Glenn Ross, Marquette Associates
Wayne Park, T. Rowe Price Investment Services, Inc.
Christine Akins, T. Rowe Price Investment Services, Inc.
Amy Mathis, T. Rowe Price Investment Services, Inc.
Monique Booker, SB& Company
Kevin Green, eVision
Garret T. Halbach, MD Department of Legislative Services
John Kenney (by phone)

Maryland 529

- Approval of Minutes

Treasurer Kopp asked for comments on the minutes for the regular September 28, 2017 Board meeting. There being no comments or questions, and upon motion duly made and seconded, it was unanimously

RESOLVED, that the minutes for the September 28, 2017 Board meeting are hereby approved.

Ms. Coughlin and Mr. Persinger entered the meeting at this time.

- MPCT Pricing Discussion

Mr. Tharp provided an overview of the Audit and Finance Committee's analysis of the pricing options. He explained that the Committee, after consultation with GRS and added insight from former-Board Member, John Kenney, had determined that the pricing assumptions should remain unchanged from the previous year and contract prices should increase equal to the increase in the Weighted Average Tuition. Under this scenario, contract pricing reflects a load of 2.1% for University contracts and 0% for Community College contracts. (See Exhibit 7).

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

RESOLVED, that Board adopts the contract pricing found in GRS Pricing Scenario 1, which provides as follows: i) pricing assumption remain unchanged from the last fiscal year: 6% tuition increase, 8% fee increase; and ii) contract prices increase equal to the increase in the Weighted Average Tuition, meaning contract prices increase 2.1% for University Contracts and increase 2.0% for Community College contracts.

Mr. Kenney left the meeting at this time.

- ABLE Fee Waiver

Mr. Tharp next reviewed the Audit and Finance Committee's discussion of the provision of the draft Maryland ABLE Program Disclosure which provides for the waiver of Maryland's portion of the Administrative Fee under certain circumstances to prevent a negative return for Beneficiaries with assets in the Cash Option. Mr. Tharp explained that it was confirmed that both SUNDAY Administration and Oregon would also be waiving their respective share of the Administrative Fee, pro rata. He then, reported the Committee's recommendation that the Board agree to waive its fee as the Cash Option is meant to be a low-risk option.

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

RESOLVED, that Board agrees to waive its portion of the Administrative Fee (10bp) in concert with the Program Manager (SUNDAY) and state Partner (Oregon), in whole or in part as necessary, in the event that assessing the full Administrative Fee would result in a negative return for the Cash Option for an Account Holder.

- Asset Allocation Review

Mr. Ross provided an annual review of the asset allocation for the MPCT. He reminded the Board that most recent version of the asset allocation was approved last year and the probability of missing the projected return of 6.3%, at that time was 43%. Given the change in market conditions, the same asset allocation has a 38% chance of missing the same target. The Audit and Finance Committee recognized an opportunity to further de-risk as the Trust sits comfortably at 149% funded. By slightly adjusting the allocations, to add 5% more into fixed income, the Trust would still have a projected return of 6.3% and would bring the probably of missing the 6.3% return back to 43%.

The proposal would shift small amounts proportionately from all equity classes, and while the deductions would be minor to each equity class, they combine to reach 5%.

The Board questioned under what scenarios Marquette may recommend adding risk to the portfolio under the new asset allocation. Mr. Ross explained that should there be a serious dislocation in the capital markets, there may be an opportunity to rebalance with increased risk to potentially speed a recovery.

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

RESOLVED, that Board adopts the asset allocation outlined by Marquette as Portfolio A in Exhibit 8, which proportionately decreases the asset allocations to equities by 5% and moves that 5% to fixed income.

- Maryland 529 Fiscal Year 2019 Budget

Ms. Layton presented the budgets for Maryland 529 and Maryland ABLE noting that these are preliminary budgets with final budgets to be approved by the Board in June, 2018. The Board thoroughly discussed the budgets with Ms. Layton including the personnel assumptions, contractual services allocation and fixed charges.

The Board asked Ms. Layton to examine the budgets again with the goal of gaining greater clarity on some of the fixed charges and the agency's IT infrastructure needs.

- Maryland 529 Signatory Authority

Ms. Layton reminded the Board that two signatures are needed to execute Maryland 529 checks. As Ms. Shipley is no longer with the agency, Ms. Layton presented her recommendation that the Director of Operations, Pam Perez, be given signatory authority so that two employees of Maryland 529 have authority. The Board discussed the division of duties and noted that adding this authority would not jeopardize internal controls.

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

RESOLVED, that Board grants signatory authority to the Director of Operations, Pam Perez, as well as Geoff Newman as Board Vice-Chair and Secretary Beatty. Ms.

Layton and Mr. Serra, as Board Secretary also have signatory authority. The Board also determined that, as a matter of policy, at least one signatory should be a Maryland 529 staff member.

- Private Equity Manager Recommendation

Mr. Ross presented Marquette's recommendation that the Board commit assets to J.P. Morgan Global Private Equity Fund VII. He discussed J.P. Morgan's past experience as well as the other firms that were under consideration. The Board discussed J.P. Morgan's investment strategy and Marquette noted that J.P. Morgan runs a globally diversified fund which is a good fit for the Trust additionally noting the firm's low fees.

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

RESOLVED, that Board allocates \$45 million to J.P. Morgan Global Private Equity Fund VII with the expectation that \$15 million will be committed in each of the next three years.

- MPCT and MCIP 3rd Quarter Investment Review and Market Update

Mr. Ross reviewed the MPCT and MCIP investment performance for the 3rd Quarter. He also discussed positive market conditions including economic growth, low unemployment, and inflation remaining below target. He discussed the expectation that interest rates will increase in December. The Board also discussed potential impacts to the portfolio with anticipated tax reform in either 2017 or 2018.

- Legal Update

Ms. Marek updated the Board on recent actions taken by the MSRB in relation to 529 plans. She explained that the MSRB is seeking to amend Rule A-13 to impose a new fee on underwriters of 529 plans. The College Savings Plan Network is opposed to the fee as it would have an adverse impact to competition as not all programs have an underwriter that would be subject to the fee, and because of the inappropriateness of assessing the same fee on the same plan assets year after year as opposed to assessing on net new flows only.

She also reported that the SEC had approved an amendment to Rule G-21, which updates the required disclosure on Maryland 529 marketing materials to advise potential clients to review their home state's 529 plan and cites examples of "other state benefits" such as financial aid, scholarship funds, and protection from creditors.

Finally, the MSRB had proposed amendments on fee reporting under Rule G-45, requiring certain fees to be broken out and reported differently.

Ms. Marek explained that while Maryland 529 is not directly subject to the rules, T. Rowe Price, as underwriter of the MCIP, would be. She also noted that this was a significant amount of action related to 529 plans, which are generally self-regulated.

- Maryland ABLE Disclosure Statement and Participation Agreement

Secretary Beatty reviewed the process used to review and revise the ABLE Program Disclosure Booklet and the Participation Agreement. She thanked the members of the ABLE Special Committee and staff for the time spent preparing the documents. The Board discussed various aspects of the disclosure including how there will not be an option for a direct rollover into the Maryland ABLE plan, at least initially. This is due primarily to the limitation of only one account per beneficiary.

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

RESOLVED, that the Maryland ABLE Program Disclosure Booklet is approved.

After discussion of the Participation Agreement and upon motion duly made and seconded, it was unanimously

RESOLVED, that the Maryland ABLE Participation Agreement is approved.

Ms. Mobley left the meeting at this time.

Ms. Winner entered the meeting at this time.

- MPCT and MCIP Enrollment Kits

Ms. Mathis presented the material revisions to the MCIP Disclosure Statement which reflected changes made following the most recent contract including fee reductions and program enhancements such as the GoTuition gifting portal.

Ms. Winner presented the material updates to the MPCT Disclosure Statement including clarifications to the minimum eligibility rules and updates to the list of investment managers.

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

RESOLVED, that the Board approves the Enrollment Kit for the MCIP and MPCT.

- MCIP Annual Report

Ms. Akins and Ms. Mathis presented the Annual Report for the MCIP. Ms. Booker discussed SB & Company's audit of the College Investment Plan and presented its determination of no-findings for MCIP. Ms. Booker informed the Board they would be issuing an unmodified letter.

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

RESOLVED, that the Board approves the MCIP-portion of the Annual Report.

Mr. Halbech left the meeting at this time.

- MPCT Annual Report

Ms. Layton updated the Board on the status of the Prepaid Trust's Annual Report. She explained that due, to the resignations of two key personnel who are responsible for preparing the report, the MPCT portion was unable to be completed for approval at this meeting. Ms. Layton noted that the staff was working diligently with assistance to be provided by staff from the Treasurer's office in order to complete the report as soon as possible. An update to the Board would be provided as soon as possible.

- MCIP Monthly Report

Ms. Akins presented the monthly report for the College Investment Plan. Of note, the number of new beneficiaries was up over 30% for the same period last year.

- Executive Director's Report

Ms. Layton opened her report with a description of a recent staff meeting at which they discussed coming together as a team and the vision that Maryland 529 be a collaborative and supportive work environment.

Mr. Green then presented an overview of the progress of the recordkeeping transition. He explained that Rolka Loube, the contractor, and WorkXpress, the subcontractor, were working to implement a recordkeeping platform that would be more flexible than the Banner System currently in place. He explained that they had begun to extract data from Banner but that the extraction had been delayed as multiple parties were involved and the path to extraction was not clearly defined. The plan, he explained, was to move and validate the data over the next 2-4 weeks.

When asked to show a copy of the most recent work plan, Mr. Green explained that the plan had not been fully completed but that he expected a final draft to be ready over the next week. The Board then questioned whether the project was moving forward in accordance with its project management plan and requested to see the inherent risks and subsequent mitigations for each of those risks as part of the plan with those future deliverables. The Board expressed its serious concern and questioned how the project could be proceeding without a final plan in place and asked for a further review and report at the next Board meeting.

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

RESOLVED, that the Maryland 529 Board meeting be adjourned.

Approved:



Steve Serra
Board Secretary

Date:

8/9/18

EXHIBIT LIST

1. Agenda for the October 26, 2017 Regular Board Meeting
2. Draft Minutes for the September 28, 2017 Board Meeting with attachment of Incentive Awards Program
3. ABLE Special Committee Report
4. Maryland ABLE Disclosure Booklet (Guided Review)
5. Maryland ABLE Disclosure Booklet
6. Maryland ABLE Participation Agreement
7. GRS Pricing Scenarios
8. Marquette Asset Allocation Review
9. Maryland 529 Fiscal Year 2019 Budget
10. Marquette Private Equity Manager Recommendation
11. Marquette MPCT 3Q Investment Review
12. Marquette MCIP 3Q Investment Review
13. Marquette 3Q Market Environment Report
14. Maryland 529 2017-2018 Enrollment Kit including: Highlights Brochure, MPCT Plan Disclosure Statement, MCIP Plan Disclosure Statement
15. SB & Company Audit Review for MCIP
16. MCIP Annual Report
17. MCIP Monthly Report