

**Maryland 529
FINAL MEETING MINUTES**

**September 28, 2017
9:30 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
Geoffrey Newman, Secretary of Higher Education's Designee
Steven Serra, Superintendent of School's Designee
Carol Coughlin
Justin Hayes, Maryland Comptroller's Designee
Keith Persinger
Pamela Purcell, Chancellor of University System of Maryland's Designee
Charles Tharp

Board Members/Designees Absent

Dee Anna Sobczak
Carol Beatty, Secretary of Maryland Department of Disabilities
Dr. Lisa Weah

Staff, Representatives and Guests

Lauren Shipley, Executive Director
Bernadette Benik, Deputy Treasurer
Erin Layton, Director of Investments and Cash Management
Bette Ann Mobley, Director of Maryland ABLE
Meghan Marek, Assistant Attorney General
Glenn Ross, Marquette Associates
Christine Akins, T. Rowe Price Investment Services, Inc.
Amy Mathis, T. Rowe Price Investment Services, Inc.
Garret T. Halbach, MD Department of Legislative Services
Amy Williams, GRS Consulting
Lance Weiss, GRS Consulting

Maryland 529

- Market Update and Commentary

Glenn Ross from Marquette Associates provided a market update to the Board. Discussion occurred around the current economic environment and potential impacts to the portfolio with an anticipated tax reform in either 2017 or 2018.

- Approval of Minutes

Treasurer Kopp asked for comments on the minutes for the regular August 31, 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 August 31, 2017 Board meeting are hereby approved.

- Board Chairman's Items

Treasurer Kopp discussed committee assignments and requested that Justin Hayes join the Administration and Personnel Committee as well as the ABLE Committee. Mr. Hayes agreed. Treasurer Kopp also said she would request that Keith Persinger move from the Administration and Personnel Committee to the Audit & Finance Committee and that she would follow-up with him.

- Maryland College Investment Plan

Ms. Akins discussed the Morningstar call the team had earlier in the month and noted that the official report should be out around the third week of October. Ms. Akins then discussed the Board report and noted that assets were down slightly and that the driver was participant's distributions, with 98% of distributions being for beneficiaries 17 and older. She also noted that because of the MCIP's recent transition to a new recordkeeping platform, Account Holders could request distributions online for the first time. They found customers taking advantage of the new feature with 53% of distributions being completed online. Ms. Akins further noted that new account enrollments were up approximately 2,000 from this time last year. Ms. Akins concluded with a brief presentation on the new Gifting Platform called GoTuition that went live in mid-September for the College Investment Plan.

- Legal Update

Ms. Marek updated the Board on amendments to the Open Meetings Act, which effective October 1, 2017, requires at least one member of a public body to have completed Open Meetings Act training, or for the public body to complete a compliance checklist, prior to moving into a closed session. Ms. Marek recommended and requested that all Board members use this opportunity to take the online training in order to better understand the Act and to ensure the Board complies with the new requirement regardless of which Board members are in attendance at meetings.

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

- MPCT Soundness and Pricing Assumptions

Ms. Williams and Mr. Weiss from GRS Consulting gave a presentation on the soundness of the Maryland Prepaid College Trust. Mr. Weiss began by walking through the assumptions used in the model that led to the result of the Plan being 149% funded as of June 30, 2017. GRS noted the program's enabling legislation allows for the Board to provide a refund in the event the Plan is over 130% funded. The Board discussed this point and agreed that research was needed to understand the options and

requested the Executive Director and counsel to present findings at the December meeting.

Ms. Williams walked through historical trends for the Plan and discussed other specific data points used in the calculations. Mr. Weiss noted that the largest fluctuations in funded status for the MPCT have been the result of market fluctuations. GRS also explained that the Board has two decisions regarding the assumptions, first to determine the assumptions for soundness and second to determine the assumptions for pricing.

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

RESOLVED, that the assumptions used to determine soundness remain unchanged from 2016, including a 6.3% net investment return, 6% tuition increase, and an 8% fee increase.

The Board directed GRS to report to the Audit and Finance Committee with contract-pricing scenarios including i) a pricing increase reflecting the change in the Weighted Average Tuition, ii) reducing the fee increase assumption from 8% to 6% and iii) with a load greater than zero.

The Board also discussed the possibility of lowering the assumed rate of return for the MPCT investments and determined that the matter should be referred to the Audit and Finance Committee for further discussion.

Amy Williams and Lance Weiss left the meeting at this time.

- Administration and Personnel Committee Update

Mr. Geoff Newman discussed the recent Committee call and the two recommendations that came out of the meeting. The first recommendation was to establish an Incentive Performance Awards Program for Maryland 529 employees. The basis of the program came directly from the State Treasurer's office and is guided by State personnel statute. Additionally, the Committee recommended that \$20,000 be allotted in the budget to support the program.

The second recommendation was to request the approval of a 2-year office lease in the current space, at the current rate of \$19.75 a sq. foot, totaling approximately \$127,348 a year. The Committee also informed the Board they understand the agency is still anticipating a move to upgrade the current location and space, but that the lease term was recommended by the Department of General Services. The Board recommended staff also look to have the square footage of the space confirmed.

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

RESOLVED, that the Board approves the inception of an Incentive Reward Program for employees with an annual cap of \$20,000.

And,

RESOLVED, that the Board approves the renewal of the office lease for 2 years at the current rate with the understanding that Maryland 529 will continue to explore other office spaces during that period.

- ABLE Special Committee Update

Mr. Tharp reported on behalf of the ABLE Special Committee and noted that it had previously met to discuss a recommendation for program fees, investment options and a Trust Agreement all relating to ABLE.

The Board discussed the ABLE Committee's review process of other ABLE programs currently operating and its consultation with staff and the Investment Adviser.

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

RESOLVED, that the Board approves a Maryland account maintenance fee of \$5 and a 10 basis point annual asset-based fee to be added to the fees charged by the Plan Administrator and the State of Oregon, with such fees to be reviewed annually.

And,

RESOLVED, that the Board approves the current savings and investment options, including the FDIC-insured cash option, currently offered by Oregon's ABLE Savings Program with such portfolio line-up to be reviewed annually.

And,

RESOLVED, that the Board adopts the proposed Declaration of Trust for the Maryland ABLE program.

- Executive Director's Report

Ms. Shipley gave a summary of the monthly Executive Director's report noting that operations are going smoothly. She reported that on 9/6/2017 the Board of Public Works ("BPW") approved the interstate cooperative purchasing agreement making Oregon a partner and Sunday Administration, LLC the ABLE program manager. She also informed the Board that the new recordkeeping contract for Rolka Loubé was approved by BPW on 9/20/2017. The Board asked that the Executive Director report back at a future meeting providing an overview of Maryland 529 cybersecurity and on the protections in place to protect sensitive data.

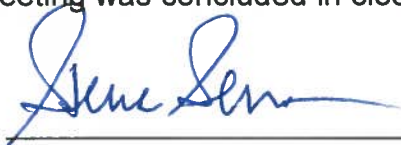
Ms. Shipley next discussed the College Affordability Act and its requirement that an applicant's Maryland taxable income be verified. She reviewed that initially the agency sought implementation through applicants attesting that the information provided was accurate, similar to the way the 529 program operates. After additional review and discussion with the Treasurer's office, however, it was determined that a self-certification procedure was inadequate under the statute. A legislative fix may be sought for the next program period to allow for self-certification; however, to meet the requirements of the law for this period, the Board discussed the need for cooperation from the Comptroller's office to establish a secure exchange of data from the applications submitted to be verified against income data on file with the Comptroller. The Board requested the Executive Director and counsel to work with the Comptroller's office to find a solution allowing the Board to comply with the law while protecting sensitive tax data.

- Closed Session

RESOLVED, that the Maryland 529 Board moves into a closed session in accordance with Maryland Code, General Provisions §§ 3-305(b)(1) and (13) to discuss personnel matters.

Lauren Shipley, Erin Layton, Betty Anne Mobley, Glenn Ross, Christine Akins, Amy Mathis, and Garret T. Halbach left the meeting at this time.

The Board meeting was concluded in closed session at approximately 12:30pm.

Approved: 
Steve Serra
Board Secretary

Date: 12/7/17

EXHIBIT LIST

1. Agenda for the September 28, 2017 Regular Board Meeting
2. Draft Minutes for the August 31, 2017 Board Meeting
3. MPCT Soundness Valuation Presentation
4. Executive Director's Report
5. Administration and Personnel Committee Report (9-21-17)
6. ABLE Special Committee Report (9-19-17)
7. Declaration of Trust for Maryland ABLE
8. Marquette ABLE Investment Recommendation
9. Marquette August Market Environment Report

10. Marquette MPCT August Review
11. T. Rowe Price Board Report (August 2017)
12. T. Rowe Price Gifting Center Presentation
13. Incentive Awards Performance Program