

**Maryland 529
MEETING MINUTES**

**February 23, 2018
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
Peter Tsirigotis
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
Meghan Marek, Assistant Attorney
General
Christine Ronk, Executive Assistant
Glenn Ross, Marquette Associates
Christine Akins, T. Rowe Price
Investment Services, Inc.
Jim Balsam, BNY Mellon

Maryland 529

• Approval of Minutes

Treasurer Kopp asked for comments on the minutes for the regular December 7, 2017 Board meeting and December 21, 2017 and January 25, 2018 special Board meetings. There were minor revisions requested to the minutes for the December 21, 2017 special Board meeting. Upon motion duly made and seconded, it was unanimously

RESOLVED, that the minutes for the regular December 7, 2017 Board meeting and December 21, 2017 and January 25, 2018 special Board meetings are hereby approved with the noted amendment.

- Board Chair's Items

Treasurer Kopp called for Board officer nominations. Upon motion duly made and seconded, it was unanimously

RESOLVED, that the Board officers shall remain same with Treasurer Kopp serving as the Board Chair, Mr. Newman serving as Vice-Chair and Mr. Serra serving as Secretary.

- Bylaw Discussion

Treasurer Kopp explained that the Bylaws have not been formally amended despite draft amendments having been circulated for several meetings. It was noted that the Strategic Planning session scheduled for April 24, 2018 might generate some additional suggestions for additional amendments to the Bylaws. She asked that Board members take time to review and forward any comments so that a vote could be held at the June Board meeting.

- ABLE Special Committee Report

Secretary Beatty and Ms. Mobley reported that the Maryland General Assembly was considering an amendment to the ABLE program's enabling legislation that would prevent the State from seeking to recapture Medicaid payments made to a beneficiary of an ABLE account unless required by federal law. They also reported that the bill had recently been amended to incorporate revisions related to federal tax reform, including the additional contributions permitted by ABLE to Work and the permitted rollover of assets from college savings accounts to ABLE accounts.

Ms. Mobley then reported on the extensive outreach efforts of the Maryland ABLE program and enrollment figures.

- ABLE Quarterly Report

Mr. Balsam reported that since the program's opening in late November, 2017, account activity has exceeded expectations with nearly double the enrollment and funds of partner-state Oregon's program over the first few months it was open. He reported that program assets stood at approximately \$1.4 million.

Mr. Balsam also described BNY's strategy for implementing tax reform measures, including college savings rollovers and ABLE to Work. He expressed BNY's willingness to administer the conservative reading of the ABLE to Work legislation as requiring contributions to be made by the beneficiary for purposes of exceeding the \$15,000 annual contribution limit.

Ms. Mobley and Mr. Balsam left the meeting at this time.

- Administration and Personnel Committee Report

Mr. Newman presented the Report of the Administration and Personnel Committee. Treasurer Kopp explained that two accountants had been brought on as contractual employees to assist John Kenney, a former Board member who was also previously the chief accountant for the State, until a Director of Finance could be hired. The Board discussed how these temporary staffing measures were ensuring the ongoing financial reporting of the agency.

Dr. Weah left the meeting at this time.

- Audit and Finance Committee Report

Pam Purcell delivered the report of the Audit and Finance Committee. The Board discussed whether to remove two investment managers, PENN High Yield and Franklin Templeton Emerging Debt from "alert" status. Following a review of the Audit and Finance Committee's recommendation, and upon motion duly made and seconded, it was

RESOLVED, that Franklin Templeton be removed from alert status and that PENN High Yield remain on alert status and a secondary benchmark be added for additional performance analysis.

The vote was unanimous save for Mr. Tsirigotis who abstained from the vote due to a conflict.

Next the Board discussed the Audit and Finance Committee's recommendations with respect to the adoption of amended investment policy statements for the MPCT, MCIP and ABLE program.

Upon motion duly made and seconded, it was unanimously

RESOLVED, that the Board adopts the revised Investment Policy for the Maryland Prepaid College Trust.

Upon motion duly made and seconded, it was unanimously

RESOLVED, that the Board adopts the revised Investment Policy for the Maryland College Investment Plan.

There was additional discussion of the definition of "fiduciary" with respect to the Investment Policy Statement for the Maryland ABLE program, and whether the definition should explicitly state that Board member designees are fiduciaries. After discussion with counsel, it was agreed that such designees are covered as fiduciaries under the current language.

The Board also discussed adding additional language regarding the Board's philosophy behind including a cash option among the portfolio choices. It was agreed that a number (5) should be added on page nine under "Investment Philosophy and Strategy" to read "The Program's Portfolio Options benefit from the inclusion of a "Cash Option" and that holdings in cash equivalents are defensive measures, usually for short periods." Additionally, Appendix A was to be revised to include FDIC-insured accounts held by BNY Mellon Bank.

Upon motion duly made and seconded, it was unanimously

RESOLVED, that the Board adopts the Investment Policy for the Maryland ABLE program, as amended.

Ms. Purcell next reviewed the recommendations of the independent auditor and the agency response to those recommendations. The first recommendation was that the agency fills key staffing positions related to financial reporting. As reflected in the Board's earlier conversation, staffing is a priority for the Board and the agency and appropriate contractual employees are in place as permanent staff is recruited.

The second recommendation was to remove the restricted status of funds held in reserve. As Maryland 529 benefits from a significant actuarial surplus, the reserve is viewed by the auditor as unnecessary.

Upon motion duly made and seconded, it was unanimously

RESOLVED, that the Board adopts the recommendation of the auditor and will remove the restricted status from the reserve.

- Maryland College Investment Plan

Ms. Akins presented the monthly report for January, 2018. She reported that the MCIP had seen a recent jump in the number of account holders invested in more than six portfolios and T. Rowe's commitment to ensuring account holders understand their choices.

The Board discussed whether the program manager has any recommendations regarding the expansion of qualified higher education expenses to include up to \$10,000 toward tuition at public, private or parochial elementary and secondary schools. Ms. Akins noted that she had discussed the topic with Ms. Layton and reviewed the current investment options offered. The conclusion of the review was that until there is additional information on how account holders will change how they use their accounts including the savings and distribution cycle, it would be premature to recommend changes to the investment line-up.

Ms. Layton reported that the second annual application period for the Save4College State Contribution Program had opened January 1st with online enrollment available

January 31st. She noted that enrollment had increased considerably over the same period the year before.

Finally, Ms. Akins reported that there had been organization changes at T. Rowe as a result of the Vice-chair retiring. She explained that transitions are thoroughly planned and occur over an extended period of time, and that there had been no changes in philosophy. She also reported that Ms. Mathis had resigned in January and that the firm was recruiting to fill her position.

- Executive Director's Report

Ms. Layton reported that the agency was finalizing the draft marketing RFP with the hope that it would be issued soon. The current marketing contract with Weber Shandwick expires June 30, 2018.

Ms. Layton and Treasurer Kopp described their recent budget hearings before the General Assembly and the emphasis on the funding surplus. The Board discussed the surplus and the actuarial assumptions surrounding tuition and fee increases as well as investment returns. Ms. Layton recommended the topic for ongoing discussion and noted that potential market shifts would continue to influence the discussion.

Next Ms. Layton reviewed the efforts toward strategic planning explaining that the RFP to have a consultant review the 529 landscape with the Board yielded only one bid and at a considerably higher cost than anticipated. She reported her ongoing review of the agency's technological needs and the 529 landscape. She recommended the Board use its previously scheduled April 24th meeting to discuss her findings.

- Legal Update

Ms. Marek provided an overview of the bills being considered by the General Assembly that would impact Maryland 529 including a bill to remove the Medicaid clawback provision of the ABLE statute, efforts to revise the State Contribution Program to adopt agency recommendations that flowed from the first year of implementation, as well as several bills that would increase the income deduction available to Maryland taxpayers for contributions to the MPCT, MCIP and Maryland ABLE. The Board also discussed a bill which would require the Board to implement a broker-dealer plan.

- 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 and receive legal advice.

Ms. Ronk, Mr. Ross and Ms. Akins left the meeting at this time.

The Board returned from closed session.

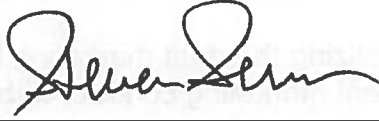
The Board Chair reported that during the closed session the Board had received legal advice regarding certain personnel issues but took no action during the closed session.

- New Business

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

RESOLVED, that the meeting is hereby adjourned.

Approved:



Steve Serra
Board Secretary

Date:

9/20/18

EXHIBIT LIST

1. Agenda for the February 23, 2018 Regular Board Meeting
2. Draft Minutes for the December 7, 2017 Board Meeting
3. Draft Minutes for the December 21, 2017 Special Board Meeting
4. Draft Minutes for the January 25, 2018 Board Meeting (by Conference Call)
5. Maryland 529 Bylaws (Amended)
6. Maryland 529 ABLE Special Committee Report
7. Maryland ABLE Review
8. Administration and Personnel Committee Report
9. Audit and Finance Committee Report
10. Draft MPCT Investment Policy Statement
11. Draft MCIP Investment Policy Statement
12. Draft Maryland ABLE Investment Policy Statement
13. SB & Company Audit Presentation
14. Maryland 529 Financial Statements
15. T. Rowe Price Monthly Report (January, 2018)
16. T. Rowe Price – MCIP FYTD Progress
17. Marquette – 529 College Savings Market Review
18. Executive Director Report
19. Maryland Legislative Session Bill Chart