

**Maryland 529
Board Meeting Minutes
OPEN SESSION**

**June 25, 2021
9:30 AM – 1:30 PM
Held via GoToMeeting**

Call-in #: 1-877-568-4106 Access Code: 977-524-077

**Board Members/Designees Present via
Conference Call**

Nancy K. Kopp, State Treasurer and Board
Chair
Carol Beatty, Secretary of Maryland
Department of Disabilities
Amalie Brandenburg, Superintendent of
School's Designee
Ellen Herbst, Chancellor of University
System of Maryland's Designee
Sam Gallo
Jessica McClain
Joanna Pratt
Peter Tsirigotis
Dr. Lisa Weah

Board Members/Designees Absent

Geoffrey Newman, Secretary of Higher
Education's Designee and Board Vice-
Chair
Justin Hayes, Maryland Comptroller's
Designee and Board Secretary

Staff, Representatives and Guests

Erin Layton, Executive Director
Bernadette Benik, Chief Deputy Treasurer
Janaki Kannan, Director of Finance
Michelle Winner, Director of Marketing
Bette Ann Mobley, Director of ABLE
Dan Rambert, Director of Investments &
Cash Management
Vern Shird, Procurement Officer
Meghan Marek, Assistant Attorney General
Maria Dodge, Executive Assistant
Glenn Ross, Marquette Associates, Inc.
Dave Smith, Marquette Associates, Inc.
Dave McAvoy, T. Rowe Price
Christine Akins, T. Rowe Price
Michelle Palmer, T. Rowe Price
Paul Musante, T. Rowe Price
Sally Reinfenstahl, BNY Mellon
Heather Chisholm, Intuition
Kathy Fawcett, Intuition

Maryland 529 Board Meeting

Treasurer Kopp called the meeting to order at 9:30 AM.

- **Approval of Minutes**

Treasurer Kopp asked for comments on the minutes from the April 15, 2021 Board meeting. There being no discussion and upon motion duly made and seconded, it was unanimously

RESOLVED, that the minutes for the April 15, 2021 Board meeting are hereby approved.

- **Board Chair Items**

Treasurer Kopp informed the Board that she received a copy of the Agency's draft letter to the Attorney General's Office ("OAG") requesting an opinion regarding abandoned property in

response to the Office of Legislative Audit’s report. After discussion, it was determined that Ms. Layton will send the draft letter to the Audit & Governance Committee for review prior to sending it to the OAG and she will also send a copy to the Board members.

- **Annual Tuition and Mandatory Fee Approval**

Ms. Layton presented the Tuition and Fees that have been approved by the Board of Regents. There was a discussion that the Board can either vote to accept these numbers as the amounts that the Prepaid Plan will pay for the 2021-2022 academic year or it can decide that the Plan will pay out different amounts for Tuition and Mandatory Fees under the Prepaid for the academic year, if there is reason to vary. Ms. Layton also noted that the approved tuition and fees figures will be rolled into the calculations for the Weighted Average Tuition. Other than noting that there should be an annotation for any tuition amounts not yet released by the institution(s), there was no further discussion and upon a motion duly made and seconded, it was unanimously

RESOLVED, that the Board approves the Tuition and Mandatory Fees payable under the Prepaid Trust to Maryland Public Colleges as presented for the upcoming 2021-2022 academic year.

- **Annual Strategic Marketing Plan**

Ms. Winner presented the Maryland College Investment Plan (“MCIP”) and Maryland Prepaid College Trust (“MPCT”) FY21 marketing results and the FY22 marketing plan. Ms. Winner highlighted MCIP’s 9% and MPCT’s 13% growth over last year with both plans surpassing the FY21 business goals. She noted that the State Contribution Program (“SCP”) continues to reach the underserved population throughout Maryland and that through marketing the plans have been able to build brand awareness.

She presented the FY22 goals, which include increasing MPCT contracts by 2%, increasing MCIP contributions and accounts by 7%, and increasing MCIP beneficiaries by 6%.

Ms. Winner reported that as of May 2021 there were 397,394 account holders in both Plans and assets were at \$9.822 billion. She noted that the MPCT assets year over year through May have increased by 17.6% and new contracts by 13.3%. She explained that the 4.4% decrease in total contracts is due to beneficiaries aging out of the program. The MCIP has experienced a 4.5% growth with assets, contributions, number of accounts, account size and total beneficiaries all having an increase over the previous year and exceeding the benchmarks.

The SCP’s new limitation on the number of applications per beneficiary (2), are in place and the Plan still saw a 13% increase in new applications. As of June 1, there were 34,482 applications, none of which have yet been reviewed for meeting the program’s criteria, with 99% of being done online. If fully funded, the estimated contribution would be \$16,247,574. Ms. Winner noted that the underserved community of Baltimore City had applications increase by 27% YOY and Prince George’s County’s numbers were up by 6%.

Ms. Winner explained that the marketing plans’ focus included building brand equity, prospective acquisitions, deepening account holder relationships, and engaging the underserved communities.

The positioning statement across all campaigns continued to be “Freedom.” She reported that Hatcher has done a good job reaching all audiences across the board in all forms of media and advertising.

Ms. Winner presented the FY22 marketing opportunities which include the new website launch, fresh approaches to using the “Freedom” positioning statement and the evolution of digital, social and traditional advertising using geo-targeting.

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

RESOLVED, that the Board accept the Marketing Plan for the Maryland Prepaid College Trust and the Maryland College Investment Plan for FY22, as presented.

Ms. Mobley reported that there are 3,470 ABLE accounts reflecting a 51% growth from last year, which is in the middle of the national growth rates for ABLE programs. The assets under management (“AUM”) are \$34.7M, which is 110% in growth with the national growth being between 48%-168%. Ms. Mobley reported that contributions were higher when stimulus payments were in process and that although contributions were down, there was an increase in the number of accounts contributing up to the \$15K maximum annual contribution and it is believed that trend will continue. This is a number that ABLE wants to continue to track as it works with legislators to potentially increase that maximum. Distributions were up for the year, but the requests for transactions per account continued to average about 6 per year.

Ms. Mobley provided additional program information and then walked the Board through ABLE FY22 goals, which will be to increase accounts and AUM, target low enrollment areas, complete the Spanish speaking website, support the Age Adjustment Act, expand marketing support assistance, develop outreach tools and begin employee outreach to local and national employers.

Ms. Mobley also reviewed the current ABLE budget and requested an additional \$50K to enhance marketing opportunities, such as aligning with the MD 529 match program. There was a discussion as to whether this was a request for an additional \$50K for one vendor. Ms. Layton responded that it was to produce marketing materials and develop a match plan. After discussion as whether or not there could be a way of tracking the impact of the \$50K, Ms. Layton agreed that ABLE would bring back a breakdown of the cost and impact in September. There being no future discussion and upon motion duly made and seconded, it was unanimously

RESOLVED, that the Board approve the Maryland ABLE FY22 Marketing Plan and Budget before them, with the understanding that Maryland ABLE will come back with a breakdown of the additionally requested \$50K.

Kathy Fawcett and Vern Shird joined the meeting.

- **Investment Committee Report**

Ms. Pratt summarized the fully endorsed recommendations of the Investment Committee.

The first is the recommendation that the Board approve ABLE switching to Vanguard Total Bond Market Index Fund, remove international fixed income and add an option allocated to U.S. Fixed Income. There being no discussion and upon motion duly made and seconded, it was unanimously

RESOLVED, that the Board approves 1) ABLE switching to a cheaper share class of the Vanguard Total Bond Market Index Fund in which Maryland 529 currently participates in; 2) ABLE alter its existing asset allocation to remove International Fixed Income from the Conservative, Moderate and Aggressive investment portfolios; and 3) ABLE add a new Investment Option allocated entirely to U.S. Fixed Income.

The next was the recommendation that the Board approve the revised ABLE Investment Policy Statement. There being no discussion and upon motion duly made and seconded, it was unanimously

RESOLVED, that the Board approves the changes to the ABLE Investment Policy Statement, which reflects the investment change presented at this meeting.

The Committee also recommended the approval of the Pitchbook Private Equity Index benchmark and the overall application of the benchmark for private equity components of the Maryland Prepaid College Trust investments. There being no discussion and upon motion duly made and seconded, it was unanimously

RESOLVED, that the Board approves the Pitchbook Private Equity Index benchmark. This benchmark will also be applied to the overall MPCT benchmark for the private equity component.

The final Committee recommendation was that the Board approve the annual review and continued use of the Procurement Exemption Policy, which had no proposed revisions at this time. There being no discussion and upon motion duly made and seconded, it was unanimously

RESOLVED, that Board approves the Procurement Exemption Policy, as detailed in the attached documents.

- **Audit & Governance Committee Report**

Ms. Herbst thanked the staff for the work done on the Designation of Authority Policy, which will assist with the understanding of what authority staff has going forward. Ms. Herbst summarized the Audit & Governance Committee recommendations to the Board. There was discussion that the Committee should look at the Board's meeting schedule to make sure meetings are properly scheduled to meet the Board responsibilities.

The first recommendation of the Committee was to approve the Delegation of Authority Policy and List. There was a reminder that the even though the Board is being notified of contract renewals, those renewals are incorporated into the budget that the Board approves in anticipation of any potential renewals. There was also a discussion that the State Treasurer's Office should not continue to do the background checks for Maryland 529 and that Ms. Layton will contract with a vendor to do background checks and then will update the chart. There being no further discussion and upon motion duly made and seconded, it was unanimously

RESOLVED, that the Board approves the Delegation of Authority Policy with the Delegation of Authority List, as presented.

The Committee also recommended that the Board delegate the authority to approve the annual auditor selection to the Audit & Governance Committee. There being no further discussion and upon motion duly made and seconded, it was unanimously

RESOLVED, that the Board approves the Delegation of Authority to approve the annual audit selection to the Audit & Governance Committee with the understanding that the Committee will review the Board’s meeting schedule for appropriateness.

- **Administration, Personnel & Finance Committee Report**

Ms. Brandenburg summarized the recommendation of the Administration, Personnel & Finance Committee for the Board to approve the Board Communications Policy, as amended by the Committee, subject to the correction of a typographic error. There being no discussion and upon motion duly made and seconded, it was unanimously

RESOLVED, that the Board approves the Maryland 529 Board Communication Policy, as amended by the Administration, Personnel & Finance Committee.

- **Program Updates**

MCIP

Mr. McAvoy, T. Rowe Price (“TRP”), provided a summary of the trends and operational efforts. He reported that investments have been strong through May and the market was up over 13% and that with the stimulus monies investors have been saving more. MCIP was at \$8.5B at the end of May which is up over 30% from last May and the \$59M invested is a 39% increase over May 2020. The year to date contributions are up 23% over last year. Mr. McAvoy noted that distribution trends are also up; whereas, during COVID there was a cutback in distributions. Year to date, there are 6,700 new accounts and 8,600 new beneficiaries for a total of 252,000 beneficiaries in the Plan. Mr. McAvoy reported the 2042 Portfolio, which launched as planned in May, opened with \$114K in contributions.

With respect to implementing a new investment option, the Vanguard FTSE Social Index Fund, TRP will be meeting with Vanguard in July to begin discussions. The new portfolio option is scheduled to launch in the fourth quarter of 2021. Treasurer Kopp informed the Board that Ms. Layton and she met with legislators last week and they were pleased to hear about the upcoming changes to investment options.

TRP is also developing a change in Program Manager fees and intends to bring that to the Investment Committee at the end of July for consideration.

Maryland ABLE

Ms. Reinfenstahl, BNY Mellon (“BYN”) reported that rollovers to Maryland ABLE are expected to continue as there are entity representatives that had invested in Ohio prior to Maryland ABLE being opened and they are now rolling over to Maryland ABLE. She is also looking at the pre-paid card

program to see if there are any allotments to other partner states that could be reallocated to Maryland ABLE. Regarding total funded accounts by quarter, there is no clear trend yet but they will continue to look during the next quarter. There is still not system in place to close zero balance accounts. There have been discussions of the process, notifications and disclosures needed.

There has been a spike in contributions due to the stimulus and distributions requests are less than last year, but with an increase in the dollar amounts. Money is still mostly in cash accounts and BYN is looking forward to seeing what a bond option will do. Account distribution on the shore and eastern region are growing and there has been a lot of growth in the ALR areas. BYN has had an increase in the number of calls received but a decrease in the response time.

MPCT

Ms. Layton reported that as of 6/16/21, there were 1,077 new contracts and that was slightly higher than this time last year. There is an expectation that by the end of November, the numbers will be higher or slightly higher than 2020.

- **Executive Director Report**

Ms. Layton requested that the Board approve the recommended award for the Investment Adviser contract. Mr. Shird provided a summary of the contract terms and evaluation process, including the pre-proposal meeting, questions and answers, ranking process, best and final offer request. He explained that Marquette Associates (“Marquette”) initial proposal price was fully loaded with special projects being included in the annual fee and that Meketa Investment Group’s price was lower overall, but did not include pricing for any special projects that might arise. Marquette was given the edge because of the overall pricing and stronger technical proposal, which included their previous experience with Maryland 529. Further discussion on this matter was deferred until the Board went into closed session.

Ms. Layton presented updated Certificates of Incumbency removing Secretary Beatty as an allowed signatory and adding Dan Rambert and requested that the Board endorse the substitution. There being no discussion and upon motion duly made and seconded, it was unanimously

RESOLVED that the Board approves removing Secretary Beatty and adding Dan Rambert as a signatory on the Certificate of Incumbency.

MPCT Transition Update

Ms. Layton presented the transition update regarding the proposed rate of return to be used universally for calculation of minimum benefits, rollovers and refunds from the MPCT. Previously, the Board challenged her to see if the then-proposed 2.5% was the right formula to utilize. After review, it was decided to use the 10-year Treasury Note rate, as that is typically the length of time that someone holds onto an account. This was determined by having Mr. Rambert work with GRS to look at the impact of various scenarios including rollovers, which staff anticipates may increase as a result of the change in calculations. Based on those evaluations, Maryland 529 is requesting approval to use the Trust’s since-inception rate of return, as of 6/30/21, for balances held prior to November 1, 2021. Contributions received on or after November 1, 2021 would receive the 10-year treasury rate, as of June 30. These rates and calculation changes would go into effect when the MPCT’s transition occurs. It was noted that this is also in response to the Office of Legislative

Audit. There being no future discussion and upon motion duly made and seconded, it was unanimously

RESOLVED, that the Board endorses the rate of return calculation for minimum benefits, rollovers and refunds to be the Trust's since-inception rate of return as of 6/30/21 for balances held prior to November 1, 2021. Contributions received on/after November 1, 2021 would receive the 10-year Treasury Note rate, as of June 30. These rates and calculation changes would go into effect on November 1, 2021.

Ms. Layton presented a summary of the modifications to the Disclosure Statement. The Plan is required to notify account holders 60 days before the transition that they have the right to reject the changes. These notices will be mailed out in mid-August with the assistance of Intuition. The Trust is hoping not to see a large number of rollovers, but this is the unknown variable in the transition. There being no discussion other than a typographical correction and upon motion duly made and seconded, it was unanimously

RESOLVED, that the Board approves the adoption of the new language in the Prepaid College Trust Disclosure Statement, as presented.

Ms. Layton reported to the Board that the transition is moving forward and is still on track for the end of October. Business rules have been agreed to and the communication plan starts next week. It will include an email that new things are coming to the Plan and that the account holder should update their account information. Later this summer, a postcard saying the same thing will be mailed out. There will be an FAQ that will be circulated to the staff so they are prepared when the announcement is made. There will be a press release that will be sent to the Board before it is released in September or October. There will be Disclosure Updates issued and the telephone transition is ready for October as well. The team is working on mapping fields and reconciliation clean-up for pre and post conversions. There have been many spreadsheets created so no information is lost and there is clarity regarding the operating flows and integration of policies.

- **New Business**

There was a discussion as to whether or not the September 17, 2021 Board meeting should be in personal or hybrid. It was suggested that alternatives should also be looked at in determining the format for meetings going forward.

The Board moved into closed session at 11:50 AM to further discuss the Investment Adviser Evaluation, to discuss personnel issues and to seek advice of counsel on same. Upon motion duly made and seconded, it was unanimously

RESOLVED, that the Board move into closed session in order to discuss topics not subject the Open Meetings Act and to seek advice of counsel.

The Board returned to open session at 12:15 PM and Ms. Marek reported that in closed session, the Board discussed confidential information, including line-item pricing, regarding the Investment Adviser recommendation and discussed personnel issues not open to disclosure.

- 9D3- MD529 Project List 2021.06.08
- 9D4- MD529 Procurement List June 2021