

**Maryland 529
Final Meeting Minutes**

**June 6, 2019
9:40 AM – 1:30 PM**

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

Board Members/Designees Present

Nancy K. Kopp, State Treasurer and Board
Chair
Carol Beatty, Secretary of Maryland
Department of Disabilities
Amalie Brandenburg, Superintendent of
School's Designee
Justin Hayes, Maryland Comptroller's
Designee
Geoffrey Newman, Secretary of Higher
Education's Designee
Keith Persinger
Pamela Purcell, Chancellor of University
System of Maryland's Designee
Charles Tharp
Peter Tsirigotis

Board Members/Designees Absent

Carol Coughlin
Dr. Lisa Weah

Staff, Representatives and Guests

Stephen McGowan, Executive Director
Bernadette Benik, Chief Deputy Treasurer
Erin Layton, Director of Investments and
Cash Management
Janaki Kannan, Director of Finance
Bette Ann Mobley, Director of Maryland
ABLE
Michelle Winner, Public Relations and
Marketing Program Manager
Meghan Marek, Assistant Attorney
General
Christine Akins, T. Rowe Price Investment
Services, Inc.
Dave McAvoy, T. Rowe Price Investment
Services, Inc.
Michelle Palmer, T. Rowe Price Investment
Services, Inc.
Shurid Sen, T. Rowe Price Investment
Services, Inc.
Paul Musante, T. Rowe Price Investment
Services, Inc.
Glenn Ross, Marquette Associates
Ian Klein, Policy Analyst, Maryland
Department of Legislative Services

Maryland 529 Board Meeting

The meeting was called to order at 9:40am. Treasurer Kopp introduced Ms. Brandenburg, the new designee to the Board for the State Superintendent of Schools.

- Approval of Minutes

Treasurer Kopp asked for comments on the minutes from the April 11, 2019 Board meeting. Hearing none, upon motion duly made and seconded, it was unanimously

RESOLVED, that the minutes for the April 11, 2019 Board meeting are hereby approved.

- Marketing

Ms. Winner and the T. Rowe Price marketing team presented the Strategic Marketing Plan for 2019/2020. As background, Ms. Winner explained that for the 2018/2019 enrollment period, new contract sales for the Maryland Prepaid College Trust had declined approximately 16% from the previous enrollment period. Some of the decline was attributed to the absence of a marketing firm for the agency while other factors included a strong investment market and fairly low tuition increases attracting customer to the Maryland College Investment Plan rather than the MPCT.

The State Contribution Program was advertised through T. Rowe Price's contractual marketing commitment and the Program continued to attract new and returning account holders with nearly 24,000 applications as of June 1. Over fifty percent of the applications were filed by new account holders.

The Board discussed the strategic goals for the upcoming year and ongoing outreach efforts to financial professionals.

The Board next reviewed the 2019/2020 marketing budget.

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

RESOLVED that the 2019/2020 Marketing Plan was approved for implementation.

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

RESOLVED that the 2019/2020 Marketing Budget is approved.

Ms. Akins reported that Mr. Sen would be transitioning to another role with T. Rowe Price and Mr. Musante would be joining the MCIP marketing team.

- ABLE Report

Ms. Mobley briefed the Board on the status of the Maryland ABLE accounts and outreach activities since the last meeting explaining that the program had approximately 1,400 funded account and \$7.6 million in assets.

She briefed the Board on several ongoing projects including a streamlined process for opening ABLE accounts when an entity is serving as the authorized legal representative ("ALR"), processing for helping families transition to an appropriate legal arrangement for account management when a beneficiary reaches the age of majority, and the transition to a new vendor for the MD ABLE Prepaid Card.

The Board asked whether the projects could be organized on a Gantt chart to better illustrate progress.

Ms. Mobley then discussed the program management of the MD ABLE Program. She explained that the current Program Manager contract was put in place through an intergovernmental agreement with the state of Oregon. Under that arrangement, Oregon collect certain fees from account holders, as does MD ABLE and the current Program Manager, Sundry Administration, LLC. The question before the Board was whether as the base contract period of three years approaches (September 7, 2020) should the agency issue an RFP and determine if a better arrangement is possible.

Ms. Mobley expressed her opinion that as the ABLE landscape has been given a chance to mature, it would be worth exploring whether new or improved program management options are available. She also said that while Oregon's partnership has been appreciated, it is worth considering whether the fees paid to that state are in the best interest of the MD ABLE Program. Finally, she reported that the agency's procurement officer had informed her that should an RFP process not yield a more advantageous offer for the State, the renewal options of the current program management agreement could be exercised.

After Board discussion of Sundry's program management and the elements presented by Ms. Mobley, upon motion duly made and seconded, it was unanimously

RESOLVED that the Board authorize Maryland 529 to develop an RFP for program management of the Maryland ABLE Program to be reviewed by the Board prior to issuance.

Ms. Mobley next presented the 2019/2020 marketing and communications plan for the Maryland ABLE Program including increasing outreach events by 20%, adding two additional pins for ABLE ambassadors and branding Maryland 529 and Maryland ABLE together more comprehensively.

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

RESOLVED that the 2019/2020 marketing and communication plan for Maryland ABLE is hereby approved.

- Committee Reports

- Administration, Personnel and Finance Report

Ms. Purcell presented the Committee's report and the draft Charter for approval. With regard to several ongoing projects under the Committee's purview, the Board recommended that Mr. McGowan report back to the Board with a proposal to engage a consultant to help draft an RFP for certain Prepaid Trust services. The Board also recommended contacting other state agencies for efficiencies with respect to small procurements and/or other assistance with the Prepaid RFP.

After discussion of the Committee's draft Charter, including its role in reviewing the agency budgets, and upon motion duly made and seconded, it was unanimously

RESOLVED that the Charter for the Committee on Administration, Personnel and Finance is approved.

Audit and Governance Report

Mr. Tsirigotis described the basis for the Committee's formation and the role it would play to support the Board.

After review and discussion of the Committee's draft Charter, and upon motion duly made and seconded, it was unanimously

RESOLVED that the Charter for the Committee on Audit and Governance is hereby approved.

Mr. Tsirigotis next reported the Committee's recommendation that the agency seek consulting services to help create desk manuals and agency procedures to help identify risk areas for the agency as well as create efficiencies and allow for a smoother transfer of duties if/when agency staff changes.

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

RESOLVED that the Board approves the Executive Director moving forward to procure the consulting services and for the Audit and Governance Committee to give final approval of the scope unless there are budgeting or other concerns, and with the understanding that the Board will be updated on the progress between meetings.

Investment Committee Report

Treasurer Kopp first noted that Mr. Tharp would be departing the Board as he has taken an opportunity to find and procure books for the George Washington Library at Mount Vernon and will have limited availability moving forward. She thanked him for his stewardship of the agency as a Board member and as Chair of the Investment Committee.

Mr. Tharp briefed the Board on the draft Charter before them for approval noting that the significant changes reflect the transfer of certain duties to the Audit and Governance Committee.

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

RESOLVED that the Charter for the Committee of Investment is hereby approved.

Mr. Tharp next introduced a vote required with respect to the Prepaid Trust's investment manager, AEW. As explained by Mr. Tharp, AEW is a real estate fund and one of the most important aspects of such funds is to ensure accurate appraisals. AEW has requested, through correspondence to Ms. Layton, that its current method of appraisal be approved.

Mr. Tharp noted that the Committee would recommend votes of this nature, which are foreseen to be rare, be handled as the Board has determined that certain proxy votes be handled, i.e. by the agency's investment director discussing the vote with the Chair of the Investment Committee to determine if the vote is controversial, and if so, referring the vote to full Board. If the vote is not controversial, however, the matter would be handled exclusively by the Director of Investment and Cash Management with an update to the Board.

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

RESOLVED that Ms. Layton is directed to vote affirmatively to approve the appraisal method utilized by AEW and that counsel draft revisions to the Bylaws to reflect a process to vote these issues as recommended by the Committee on Investment.

As the Committee report concluded, Treasurer Kopp once again thanked Mr. Tharp for his leadership and the Board wished him well.

- Maryland College Investment Plan

Mr. McAvoy presented the MCIP Report. He noted that the market downturn in December 2018 created an emotion tail which, along with other conditions including the government shutdown, triggered a change in investment behavior among account holders, though less change than was seen in the retail and retirement spaces. The beginning of 2019, then, saw an uptick in the use of the money market fund and a decrease in year-over-year contributions. He noted, however, that the State Contribution continued to be a huge boost to new account openings in the early part of the year.

When asked if T. Rowe Price foresaw a coming recession Ms. Akins reported that T. Rowe's position is that there would not be a recession in the coming 12-18 months.

- Maryland Prepaid College Trust

Ms. Kannan presented the Tuition and Mandatory Fees for the 2019/2020 school year for approval.

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

RESOLVED that the Tuition and Mandatory Fees are approved subject to update by the College of Southern Maryland and with the understanding that the Maryland Higher Education Commission ("MHEC") will review.

- Maryland 529 Financial Report

Ms. Kannan presented the financial reports as of April 30, 2019.

Mr. Tharp asked Marquette to comment on their view with respect to the potential for a recession. Mr. Ross responded that Marquette is in agreement with T. Rowe Price and does not foresee a recession in the near term noting that the two-year and ten-year yield curves have not inverted. Mr. Ross provided the caveat that ongoing saber rattling with China and Mexico could impact the analysis.

Treasurer Kopp noted the uncertainty of relying on traditional indicators when we're not necessarily in traditional times.

Ms. Kannan presented the Maryland ABLE budget review. Mr. Newman reported that the State budget issues had been resolved and MHEC would be funding ABLE's \$300,000 budget in 2020 and receiving a deficiency appropriation.

- Executive Director's Report

Mr. McGowan presented the Executive Director's Report. He reviewed the status of the RFP for marketing and public relations services noting that proposals are due July 2. It was also noted that only the Director of Operations position is vacant and that there will be additional discussion of the IT position.

The Board discussed the materials relating to the GRS rebate analysis. The Executive Director recommended the agency move forward.

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

RESOLVED, that the Board approve the Executive Director engaging GRS to conduct a rebate analysis.

The Board next reviewed the three Certificates of Incumbency related to various banking services, which fall into three large categories of custodial, disbursement and lockbox activities, and recommended revisions to the authorized signers on the certificates.

As part of this discussion, it was noted that the individual who was serving as Board Secretary, Steve Serra, had left his position with the State and also the Board.

Mr. Persinger volunteered to serve as Board Secretary.

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

RESOLVED, that Keith Persinger will serve as Board Secretary.

The Board then discussed the banking services utilized by the agency and the banks involved following the recent procurement. US Bank serves as the custodial bank and Wells Fargo provides disbursement and lockbox services.

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

RESOLVED, that the Executive Director be added to all three certificates of incumbency, the Director of Investments and Cash Management be added to the custodial services certificate, the Director of Finance be added to the disbursement and lockbox certificates, Secretary Beatty and Mr. Newman on the disbursements, and Secretary Beatty and the Board Secretary on the custody certificate.

- Legal Update

State Contribution Program

Ms. Marek presented a State Contribution administration for Board approval. The T. Rowe Price customer service line had been asked by tax preparers whether certain State tax filing statuses were reviewed at the individual or joint filing caps for purposes of meeting the income-eligibility requirements of the State Contribution Program.

After review of the relevant materials, discussion with counsel, and upon motion duly made and seconded, it was unanimously

RESOLVED that “Dependent” and “Head of Household” filing statuses would be reviewed at the income limit for an individual, and “Widower” would be reviewed at the income level for joint filers.

Legislative Initiatives

Ms. Marek next discussed how the State Contribution Program does not limit how many applications an account holder can file to receive a State Contribution and that this year’s application period saw some applicants file a dozen or more applications. The question was raised to the Board as to whether the agency should seek legislative updates to the Program to discourage any potential abuse of the program.

After discussion, the Board recommended the agency work with counsel and provide relevant program updates to the original bill sponsor for the State Contribution Program to allow the legislature to make any relevant policy decisions.

Next counsel reviewed recent issues that arose in the procurement of certain services that it was felt were not allowing the agency to put itself in the best posture should a procurement arise. Specifically, the oversight agency for certain procurements provides only limited exceptions to having technical and financial proposals receive equal weighting and with respect to some key procurements for the agency, e.g. program manager, the agency and its programs and account holders may be placed in a better position by allowing an offeror’s technical proposal to receive greater weight than a financial proposal. The Board asked counsel for additional information to review the issues involved.

Weighted Average Tuition

Ms. Marek briefly reviewed a recent staff discussion regarding the calculation of the Weighted Average Tuition. Specifically, counsel explained that the current method of calculation used projections and staff would be proposing a revision to this process as part of the changes for the 2019/2020 Maryland Prepaid College Trust Disclosure Statement that would add precision to the calculation.

- New Business

Mr. McGowan presented a proposal to have the Department of Information and Technology (“DoIT”) take over certain IT functions for the agency.

The Board recommended the proposal be referred to the Administration, Personnel and Finance Committee for additional review.

Treasurer Kopp noted that certain Board members had asked for there to be additional discussion of the agency’s use of the Incentive Program adopted by the Board. She noted that while that discussion would be ongoing, the program should not be viewed as a “bonus” as one would see in private industry and that the discussions had to be held in view of the State’s policy with respect to such programs.

After a final thank you to Mr. Tharp for his service, and with there being no further business, upon motion duly made and seconded, it was

RESOLVED, that the Board meeting is adjourned at 1:30 pm.

Approved: Nancy K Kopp
Treasurer Nancy Kopp, Chairperson

Date: 9-12-19