

Maryland529

MPCT Earnings Calculation Archive

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Information provided in this document is for historical reference only.

Earnings Calculation Archive

Update – August 21, 2023

Treasurer Dereck E. Davis today announced that the upgrade of the automated record keeping system for the Maryland Prepaid College Trust is complete, and the online account portal is available for account holders to access their information and benefits.

[Click here](#) to read the full update.

Update – July 28, 2023

[Click here](#) to review a summary of the Maryland Prepaid College Trust policy changes.

[Click here](#) to read the latest update from the State Treasurer’s Office.

Update – May 4, 2023

As of June 1, 2023, the administration of the Maryland 529 plans will transfer from the Maryland 529 Board to the Office of the State Treasurer.

If you are an existing Prepaid College Trust Account Holder and seeking a manual calculation review of your Account, please complete the Request for Account Support form.

If you are a new or existing Prepaid College Trust Account Holder, and you have questions about your Prepaid College Trust Account, please email mpctquestions@mdprepaidcollegetrust.com.

To review FAQs issued by the State Treasurer related to the Prepaid College Trust earnings settlement process, [click here](#).

For general inquiries and comments about the agency’s transition, please email:
MD529@treasurer.state.md.us.

Update – April 3, 2023

The Maryland 529 Board is writing to provide an update to account holders on the status of the Maryland Prepaid College Trust (MPCT) in its effort to improve communication and shared understanding.

Current Status

Manual account reviews are available to account holders who want to know the current minimum benefit, rollover and refund values of their account(s). As of March 29, 2023, manual reviews have been completed for 702 of the 797 requests received. Once a request for a manual review is received, it is taking approximately 3-4 weeks to send the final report to the account holder. The online MPCT account portal does not currently display a minimum benefit value. The Board is continuing to work with the Maryland 529 staff to have the program manager provide the values through the portal.

Additional Updates

In addition, two bills were introduced in the Maryland General Assembly that impact the Maryland 529 Program. Both House Bill 1290 and Senate Bill 959 would make several changes to Maryland 529. The changes include:

- Transferring the administration of the Maryland 529 Program from the Maryland 529 Board to the State Treasurer effective June 1, 2023;

- Abolishing the Maryland 529 Board effective June 1, 2023;
- Phasing out the Maryland Senator Edward J. Kasemeyer Prepaid College Trust (MPCT) by establishing that, beginning June 1, 2023, no new MPCT accounts may be created, either directly or via rollover; and
- Establishing a Workgroup on the Maryland 529 Prepaid College Trust Program, with a report due to the Governor and the General Assembly by June 1, 2024.

The bills are subject to change by amendment and the Maryland 529 Board will continue to monitor the progress of the bills. Once legislative session has concluded on April 10, the Board will follow up with an update on the legislation and any changes to Maryland 529.

Update – March 2, 2023

Statement from Maryland 529 Board

The Maryland 529 Board hopes that by providing more regular updates to account holders, there will be improved communication and shared understanding. Moving forward, the Board will provide monthly updates to account holders about the status of the Maryland Prepaid College Trust (MPCT) via email, the MPCT portal, and the Maryland529 website.

Current Status

Manual account reviews are available to account holders who want to know the current minimum benefit, rollover and refund value. As of February 27, 2023, manual reviews had been completed for 453 of the 686 requests received. Once a request for a manual review is received, it is taking approximately 2-3 weeks to send the final report to the account holder. The online MPCT account portal does not currently display a minimum benefit value.

What Comes Next

The automated recordkeeping system that the program manager, Intuition College Savings Solutions (Intuition), uses has not been reprogrammed to accurately reflect the corrected calculation. That reprogramming process is underway and as soon as we have an estimated date of completion, we will update account holders. Once the recordkeeping system is updated, there will be no further need for manual account reviews and all distribution requests will resume being processed through the online system.

Background

MPCT is similar to a defined benefit pension plan. Account holders open accounts and make payments toward a defined tuition benefit, either semesters or years of community college or university, depending on the tuition plan they choose. Account contributions are pooled and invested together in order to yield an investment return for the Trust. The investment return earned by the Trust is used to provide the tuition and fee benefits in future years. Individual accounts do not earn a daily interest value like with an investment or savings account.¹ The benefit provided by MPCT is payment of in-state tuition for Maryland Public Colleges and Universities. This benefit is transferrable outside the Maryland Public Colleges by way of payment of the Weighted Average Tuition of in-state tuition (applicable if the beneficiary attends a private or out-of-state school), or the account's Minimum Benefit, whichever is greater.²

¹ Prior to November 1, 2021, individual accounts did not reflect a daily asset value that included attributable earnings. This was because the earnings attributable to an account were calculated only at the distribution level. That was because the "earnings" portion of the distribution would be subject to change depending on the cost of Tuition, or the applicable since-inception rate of return for the Trust (for rollovers and refunds prior to November 1, 2021), plus the individual circumstances of an account, e.g. whether distributions had previously occurred, or excess benefits were available.

² Beginning November 2021, prepaid accounts were to show the available minimum benefit, i.e. the balance of contributions minus fees and any distributions plus certain attributable earnings. This value may not always reflect the actual earnings that would be attributed to an account over the course of its use, however, as additional "earnings" may be attributable to the semester benefits available if tuition benefits paid exceed the minimum benefit of an account.

Events of 2021

In June 2021, the Board voted to amend plan rules to provide that attributable earnings from the overall Trust would accrue on prepaid accounts for purposes of calculating distributions for Minimum Benefits, rollovers, and refunds. The change was announced in August 2021 and went into effect on November 1, 2021. The change to the rollover and refund calculation was made in response to the recommendation of the Maryland Office of Legislative Audits, which found that the calculation used by Maryland 529 had resulted in excessive payments. Maryland 529 was also looking to simplify the program and eliminate any variance between the minimum tuition benefit that was available and the amount payable as a rollover or refund. Additionally, applying a 6 percent earnings rate beginning November 1, 2021 on account balances still held in the Trust as of October 31, 2021 would begin to distribute the Trust's actuarial surplus to account holders.

Unfortunately, there was immediate confusion over the meaning of the updated terms that were announced at that time and that confusion continues through today. The Board intended that beginning on November 1, 2021, a 6 percent earnings rate would be applied on balances in accounts as of October 31, 2021, with earnings compounded monthly. The automated recordkeeping system that went live on November 9, 2021 erroneously calculated the amounts, to reflect a calculation that applied the 6 percent earnings to all contributions made in the prepaid accounts prior to November 1, 2021 regardless of whether benefits had previously been withdrawn or not. This error resulted in incorrectly-inflated account values that were reported on the 2021 MPCT Annual Statements.

The language in the plan that was the source of this confusion seems to be:

Minimum Benefits. Minimum Benefits are defined as payments duly made under this Contract, minus Operating Expenses, plus a certain rate of return.

Accounts in existence on October 31, 2021:

For Accounts in existence on October 31, 2021, contributions in your Account prior to November 1, 2021 will earn 6% on balances, compounded monthly, until benefits are withdrawn, or your Contract is terminated.

MPCT Disclosure Statement (p. 9).

Rollovers Generally. Funds in a 529 account can be transferred to and from Qualified Tuition Programs for the same beneficiary. Such transfers are known as rollovers. Rollovers for the same beneficiary are restricted to once per 12-month period. The Account Holder and/or the Qualified Tuition Program distributing assets to another program must provide the receiving program with an accurate allocation of principal and earnings from the previous account; otherwise, the receiving program is required by the IRS to treat the entire rollover contribution as earnings.

Earnings Attributable for Rollovers and Refunds

Accounts in existence on October 31, 2021:

For Accounts in existence on October 31, 2021, contributions in your Account prior to November 1, 2021 will earn 6% on balances, compounded monthly, until benefits are withdrawn, or your Contract is terminated.

MPCT Disclosure Statement (p. 10).

It was never the intent of the Board, and in fact the Board itself did not vote to apply the earnings to all contributions and all amounts, but only to balances as of October 21, 2021. Prior to November 1, 2021, contributions received an attributable earnings rate equal to a monthly rate of return of a U.S. Government Security with a constant maturity of one year minus 1.2 percent, with the rate never being less than zero. This method of calculating the Minimum Benefit was identical to the method used for the prior twenty years and was described in the Disclosure Statement.³

The account values that appeared on the Annual Statements for calendar year 2021 were incorrect and did not represent the Minimum Benefit as defined in the Disclosure Statement. This inaccurate figure was presented on the 2021 Annual Statement and was viewable on the online account holder platform between November 9, 2021 and April 15, 2022. Annual Statements for all years prior to 2021 accurately reflected the contributions and distributions from accounts and did not reflect the inaccurate and inflated values temporarily seen by account holders.

³ *Minimum Benefits.* Minimum Benefits are defined as payments duly made under this Contract, minus Operating Expenses, plus a rate of return equal to a monthly rate of return of a U.S. Government Security with a constant maturity of one year minus 1.2%. The rate of return will never be less than zero. Notwithstanding any other provision of this Contract, in the event that Tuition at an Eligible Institution is less than your Minimum Benefits, you may use the difference between the actual Tuition and your Minimum Benefit for other Qualified Higher Education Expenses such as room and board or books.

Resolution Process

Staff began working with Intuition to correct the recordkeeping system calculations in the early spring of 2022. During that process, it was determined that third-party review could provide additional assurance in the calculation and programming solution. The agency's independent auditor reviewed the calculation as part of its annual audit of the Prepaid Trust and worked with the program manager to conduct testing of accounts. In September 2022, outside counsel and auditors were engaged to assist Maryland 529 with resolution of the issue, including manual calculations, which were able to be fully implemented beginning January 2023.

The manual calculations will continue until Intuition completes re-programming the recordkeeping system. Account holders are encouraged to submit a form via the Maryland 529 website if a manual calculation is needed before the system is fully updated.

Maryland 529 has not removed any funds from Prepaid accounts. The manual calculation spreadsheet accurately reflects the correct attributable earnings for an account in accordance with the terms outlined in the Disclosure Statement. Therefore, when an account holder receives the spreadsheet, the funds become available for a refund or a rollover.

We look forward to providing another update in April.

Update – January 24, 2023

Statement from Maryland 529 Interim Board Chair, Geoff Newman

Today's focus is to eliminate any confusion that has occurred in the past regarding the earnings calculation and perhaps more importantly, Account Holders' ability to use their Prepaid College Trust benefits to pay for beneficiaries' college expenses.

The contracts that Account Holders currently hold are sound and Maryland 529 has not frozen the tuition and fee benefits. Approximately 3,900 unique accounts have received payments for beneficiaries for the 2022 – 2023 school year – representing approximately \$32 million in payments having gone out for Prepaid Trust Accounts. Again, Account Holders are able to take, and many have taken, distributions for tuition and fees for their beneficiaries and pay or have paid those proceeds towards college tuition. Those proceeds have not been frozen.

What is at issue, is the calculation of the attributable earnings from the over performance of the Trust that the Board would like to provide back to account holders, potentially over and above what the contracts they hold were designed to pay out, depending upon tuition prices when the beneficiary goes to school. This process, and especially the amount of time that it has taken, has been a serious setback for the agency.

The Board is at a point where it is confident that the calculation issue has been resolved and has begun providing manually calculated reports to account holders who need answers. Approximately 419 have been completed by an outside CPA firm and are being sent out.

Update – January 20, 2023

On behalf of Maryland 529, we wanted to explain to all Prepaid College Trust Account Holders the MPCT Annual Statement you will soon receive, if you have not already received it. It is an administrative requirement that we send out the Statements to Account Holders each year. Please note that the figures in the 2022 Annual Statement only show the original purchase price of your contract with MPCT. The Statement does not include the Minimum Benefit for your account as defined under the MPCT Disclosure Statement.

As we have explained previously, the manual calculations are being done because it will take time to update the recordkeeping system at Intuition to reflect the accurate Minimum Benefit calculation. The Annual Statements are generated from the automated recordkeeping system and cannot take the manual account review results into account until a full system update is complete.

In addition, Intuition's MPCT portal is currently showing FAFSA values for each account. This amount does not represent the Minimum Benefit for your account as defined under the MPCT Disclosure Statement. Please refer to the Earnings Calculation FAQs for an explanation of how to calculate the FAFSA value of your account. ("I need to complete my FAFSA application. Where can I find the FAFSA value of my Maryland 529 Prepaid College Trust Account?").

We want to make it clear that we are still currently in the process of conducting final checks and sending MPCT Tuition Plan Manual Review Reports to the Trust Account Holders with an explanation of the individual Report. This Manual Review Report will contain your correct Minimum Benefit amount. The Manual Review Report will provide a full accounting of your account(s), including the Minimum Benefit calculation. Please refer to [this presentation](#) for more information about the Minimum Benefit calculation.

For Account Holders who have already received their Manual Review Report, please refer to that Report only for your correct Minimum Benefit.

Again, we thank you for your continued patience.

Update – January 6, 2023

Since arriving in September 2022, it has been my primary goal as Executive Director to be as transparent as possible – while trying to resolve the complex calculation and coding issue associated with the Maryland Prepaid College Trust ("MPCT Tuition Plan"). The goal has been to ensure resolution as quickly as possible, but also to ensure accuracy in accordance with the MPCT Tuition Plan Disclosure Statement. Tuition benefits have always been and remain available for payment under the MPCT Tuition Plan.

The issue has been the calculation of additional attributable earnings that Maryland 529 was trying in good faith to give back to MPCT Tuition Plan Account Holders because the overall Trust was and is doing so well.

Maryland 529 is excited to report that approximately 419 of the 480 MPCT Tuition Plan accounts that submitted a Request for Account Support Form have now been manually reviewed. We are in the process of conducting final checks and sending MPCT Tuition Plan Manual Review Reports to the individual Prepaid Trust Account Holders with an explanation of the individual Report.

These first 419 are MPCT Tuition Plan accounts that were prioritized from the 480 accounts for which we received a Form. But again, **MPCT Tuition Plan benefits have always been and remain available for payment to all Accounts Holders.**

In the process of distributing these additional earnings (which ironically stem from an increase to percentage of attributable earnings effective November 1, 2021), the calculation was inaccurately reported and had to be corrected in compliance with the Board approved Disclosure Statement which has always been publicly posted on our website.

It has taken time to resolve this issue because it was important to ensure that the Trust accounts were carefully prioritized and assessed in compliance with the Disclosure Statement. Quality control measures were put in place to correct the calculation for all MPCT Tuition Plan Account Holders and ensure accurate reporting going forward.

Today, I can say with confidence that the calculation formula has been corrected in accordance with the MPCT Tuition Plan Disclosure Statement, and outside consultants are moving through the remaining individual account manual reviews as quickly as possible to correct all remaining MPCT Tuition Plan accounts.

I want to make sure a few things are clear given the misinformation being circulated that is unnecessarily confusing the issue:

- **The MPCT Tuition Plan benefits have always been and remain available for payment.** Tuition benefits were never frozen.

- Account Holders continue to have access to their principal contributions - and always have.
- The MPCT Tuition Plan is not a traditional investment account. The MPCT Tuition Plan is a pooled trust fund - similar to a defined benefit plan. Its primary function is to allow individuals to lock-in Maryland in-State college tuition and basically pre-purchase college semester units over time - well in advance of when the student is actually attending college.
- The MPCT Tuition Plan is NOT a traditional interest earning (or losing) investment account of the type that most people think of as an investment account or 529 account – and it was never meant to be. (There is another 529 investment plan available for individuals wanting a traditional investment account that yields traditional market fluctuating earnings.)
- Instead, the MPCT Tuition Plan is primarily a vehicle to lock in and prepay in-state public college tuition units, avoid market fluctuation risk, and secure tomorrow's tuition at today's prices — although there are other out-of-state / private college tuition options offered with the MPCT Tuition Plan.
- The MPCT Tuition Plan Account Holder purchases a contract that will pay a certain defined benefit in the future. The contract primarily can be used for payment of tuition and certain mandatory fees / certain educational expenses at qualified two- and four-year colleges and universities.
- The MPCT Tuition Plan does not carry the higher more traditional investment risk – or potential benefits. But, the defined benefits are basically guaranteed. In other words, it is not meant to be a high yield investment account. It is meant to be a low-risk tuition payment defined benefit plan.
- Outside consultants continue to work to fully resolve this issue across all account statements.
- At this time, and in an abundance of caution, MPCT Tuition Plan accounts are being individually reviewed by outside certified public accountants based on a priority system (which is explained on our website) to help confirm accuracy of calculations.
- Account Holders may request assistance for their MPCT Tuition Plan account through our Request for Account Support Form process.
- The completion of the Request for Account Support Form puts the MPCT Tuition Plan Account Holder in the queue for a manual or other review based on the assigned priority level.
- Upon completion of the manual review process (if applicable), the priority Account Holder will receive a MPCT Tuition Plan Manual Review Report and an explanation of next steps – including the actions the Account Holder may take on their MPCT Tuition Plan account.
- Maryland 529 looks forward to explaining and working through this issue with the General Assembly.
- We are focusing on communicating directly with the 480 account holders who have requested a review to ensure their needs are met.
- Our Board meeting schedule is available on our website.

Update – December 12, 2022

The manual calculation process is underway and work remains ongoing to test and validate an automated process for the calculation across all Accounts. Our next step is to contact each Account Holder who submitted an Account support request form to advise on next steps. Please note that at this time, each Account is being handled on an individual basis

As Maryland 529 continues its work on the calculation issue, we want to make sure Account Holders are aware that the MPCT program is continuing to make payments for Tuition costs. Though the calculation issue has been impacting the ability to pay the full Minimum Benefit, our Program Manager, Intuition, is continuing to process payment requests.

Maryland 529 has **not** imposed any moratorium on Tuition payments and Account Holders can access funds in their Accounts to pay Tuition.

PLEASE NOTE: Account Holders may access any available Benefits in their Accounts. For example:

- For any student attending a Maryland Public College, the MPCT continues to pay the full Tuition Benefit. For more information about accessing the funds for that Benefit, please review the “Tuition Benefits” FAQ on the MPCT Frequently Asked Questions webpage.
- Out of state students or students attending a private college are still able to receive Benefits up to one-half of the Weighted Average Semester Tuition (one-half of a full-year of Tuition) in the Tuition plan purchased, as outlined in the MPCT Disclosure Statement.

Account Holders may also request a rollover or a refund for available Benefits—excluding Minimum Benefit.

Please note that Maryland 529 strongly encourages Account Holders to discuss with a tax professional any potential tax consequences with seeking a rollover or a refund of their Benefits.

For information to rollover or seek a refund, please review the “Account Rollover” and “Account Refund” FAQs on the MPCT Frequently Asked Questions webpage.

Also, we understand that payments are due or are soon coming due at many institutions. Please feel free to share this information and Maryland 529’s other updates with your contacts at your student’s bursar’s office.

We thank you for your continued patience and look forward to being in touch with each of you soon.

Update – November 7, 2022

On October 27, 2022, the Maryland 529 Board voted on a number of initiatives that have placed us on a path forward toward providing accurate account values. One noteworthy change agreed-to by the Board is to retroactively change the method for calculating the minimum benefit from a “net contribution” formula to a ledger balance method. This change will ensure that all Account Holders receive the benefit of compounding of accrued benefits.

As mentioned in prior communications, Maryland 529 has been reviewing and categorizing the Account Support Request forms that Account Holders have submitted. That process has been completed for all forms received to-date, and we will continue that process as new forms are received. For additional information about the priority ranking system, please see the FAQs below for “What is considered an “urgent” or “priority” request to trigger the application of the “manual” process?”

The next step in the overall process is to work with our consultants to finish developing the interim calculation method. This includes testing and validating the new calculation model. As soon as the validation has been achieved, the process of manually calculating Account values will begin on an account-by-account basis in accordance with priority for those Account Holders who have submitted an Account Request Support form. We anticipate the validation process will be finished by mid-November, and that the manual calculation efforts will begin soon thereafter.

If you have submitted a completed Account Support Request form, we will contact you via email as soon as your request is in the manual calculation process and when that process is complete. Rest assured, we understand how important your requests are to you and your Beneficiaries. Maryland 529, however, cannot sacrifice accuracy in this process for a quick fix. We, therefore, ask for your continued patience once again as we work through the end stages of this process.

Towards that end, please [click here](#) for a current projected timeline. Although this timeline is dependent on things going as planned while we work with our outside vendors and consultants, we hope that it will provide you and your Beneficiaries with comfort knowing that the calculation fix is near and that your specific Account requests will be addressed soon.

Maryland 529 will continue to provide updates to our Prepaid College Trust Account Holders on this page and via email as we advance through this process. Again, thank you for your continued patience.

Update - August 29, 2022

Maryland 529 is currently working to address earnings calculation issues in the Maryland Prepaid College Trust (MPCT) that are impacting some Account Holders who need to take a distribution. To protect the Trust as a whole, the Maryland 529 Board has temporarily suspended the addition of certain interest earnings on MPCT distributions.

We recognize the uncertainty caused by these issues and are working diligently to address them. We appreciate your patience through this process.

It is important to emphasize that no MPCT Account funds are at risk, and that Account Holders are still able to access their principal balances for Tuition payments and/or rollovers. Once all issues have been resolved, Account Holders will have access to their interest earnings.

These issues do not affect Maryland College Investment Plan (MCIP) Accounts.

Calculation FAQs Archive

Should Account Holders expect that the earnings calculation used to calculate interest be the same as the 2022 Plan Disclosure Statement?

The terms of the 2022 Prepaid College Trust Disclosure Statement remain in effect and will be used to review distributions since November 1, 2021. No update to the plan terms with respect to the calculation of Minimum Benefits, rollovers, and refunds is anticipated at this time.

If the calculation issue occurred at the time of the November 1, 2021 conversion, why wasn't the issue resolved before the next Tuition cycle?

The conversion occurred after fall 2021 Tuition had been processed and before the start of spring 2022 Tuition cycle. We have been working with Intuition since we first discovered the problem to correct the calculations. To avoid providing inaccurate information, the Minimum Benefit calculation was suspended while we worked with consultants to determine the source of the problem. We have been working to identify the source of the issue so that we can correct the calculations and reactivate the automatic calculation of the benefit and have it displayed correctly in Account Holder's account page.

When do earnings stop accruing?

There is a maximum benefit calculation that stops accruing earnings on a date that is equal to the Projected Enrollment Year (the year your beneficiary became college age—that was used to set plan pricing), plus 10 years, plus the number of years purchased under the contract.

Should Account Holders expect a shortfall in their Account or in the Prepaid College Trust?

There will be no shortcoming of account balances. All funds are secured and will be distributed. There are sufficient funds in the plan to cover all obligations and there is no need to trigger any legislative guarantee of the Prepaid College Trust. The Trust is working as designed and the investments have yielded sufficient growth to cover all obligations.

How did we get here?

- **Outdated system required an upgrade**
Prior to November 2021, the Maryland Prepaid College Trust (MPCT) had been managed in-house by Maryland 529 for nearly 20 years. The software and tools we were using were no longer supported, necessitating a move to a third-party program manager.
- **Transition to Intuition College Savings Solutions, LLC**
In December 2020, Maryland 529 completed a procurement to move the day-to-day program management of the MPCT to a third-party program manager. The contractor chosen, Intuition College Saving Solutions, LLC is a well-known vendor in the prepaid college savings network and is the program manager for several prepaid college savings plans. Over the last ten years, Intuition College Savings Solutions, LLC had overseen the conversion of four other college savings program.

- **Interest calculation issue**

During the spring of 2022, Maryland 529 staff received several Account Holder inquiries that led to a more thorough review of the calculation used to determine the Minimum Benefit to which an Account Holder is entitled. As a result of this review, it became apparent that the new earnings calculation, which increased the interest rate payable under the Minimum Benefit calculation, was not applied to just the balances held in an account as of the transition date, as called for by the Disclosure Statement, but also to historical account balances that had previously been distributed.* As such, funds were being distributed with earnings calculations that were attributable not to the basis portion of that same distribution, but on past-balances no longer held by the Trust. Maryland 529 worked with Intuition College Savings Solutions, LLC to clarify the scope of the calculation correction and identify steps toward resolution.

*Distributions are calculated based on the terms of the Disclosure Statement in effect at the time of the distribution. That the Disclosure Statement is subject to change, and that Account Holders will be notified of any such changes, is explained in the Disclosure Statement. See MPCT Disclosure Statement, Article IX, General Provisions, page 13.

- **Work with an outside auditor to support resolution of Account issues**

Maryland 529 and the program manager were working toward a solution they hoped to implement in June 2022. To ensure the accuracy of the update, Maryland 529 staff recommended, and the Maryland 529 Board agreed, to direct its outside audit firm to complete an additional review. Maryland 529's independent auditor began work on this verification in July and is meeting daily with Maryland 529 staff and the program manager to finish its review. Maryland 529 staff believed this correction could be implemented by the first week of September; however, a correction was not able to be launched by that time. Maryland 529 is continuing to work with Intuition College Savings Solutions, LLC and the audit firm to reach a resolution.

Who is impacted by the pause in the interest rate calculation?

- Account Holders who are currently using their MPCT benefits to pay Tuition and are entitled to a Minimum Benefit that is greater than what they received under the current distribution options.
- Account Holders who are seeking to roll over the funds in their MPCT Account into the Maryland College Investment Plan or other 529 plan.
- Account Holders who are seeking refunds of their MPCT Account.

The pause in the interest calculation does not directly impact:

- Account Holders who are not currently seeking distributions, i.e. Tuition benefits, rollovers or refunds.

Note: While these Account Holders are not directly affected, the balance shown in their Account may currently be incorrect, either over-estimated or under-estimated. When the recordkeeping system update is implemented, their Accounts will likely show a revised Minimum Benefit value.

I also have an Account in the Maryland College Investment Plan. Is that Account affected?

No.

Is my money at risk?

No. Maryland 529 made the decision to temporarily cease earnings payments to protect the financial health of the Trust. Any additional funds that may have otherwise been available between April and the resumption of interest repayments will be attributed to Accounts upon the completion of the system update. The added benefits will be available for distributions and will remain in the impacted Accounts until such time as the Account Holder chooses to take a distribution.

What happens with “Excess Benefits”?

Many Account Holders may have more funds available under the Minimum Benefit than the Tuition Benefit. If you have Unused Benefits under the Plan, then you have what we call “Excess Benefits” that can be applied toward future Tuition (provided Benefits are used within the maximum time limit allowed), are used to pay for Qualified Higher Education Expenses, or they are available for a rollover or refund in accordance with Article VI of the Plan Disclosure Statement. In addition, subject to the terms explained in the Plan Disclosure Statement, you could change the Beneficiary of the remaining benefits to another member of the family of the original beneficiary. The best way to obtain information on this topic is to complete and return the Request for Account Support Form.

Can Account Holders request a “penalty-free” refund of total funds contributed to their Prepaid College Trust Account?

A refund of total funds is available but any distributions that are not used for Qualified Educational Expenses are subject to potential tax penalties. This is an IRS rule that only allows penalty-free distributions for Qualified Educational Expenses. In addition, the applicable 2.5% Operating Expense deduction or the \$4.00 transfer fee apply regardless of the distribution. We are happy to work with you on your unique situation. Please complete the Request for Account Support Form.

What are the differences in Benefits for in-state colleges versus out-of-state or private university or college?

The Benefits received is based, in part, on which college the student attends.

For an in-state Maryland Public College, the Benefit is for Tuition and Mandatory Fees as explained under the Plan Disclosure Statement. When an Account Holder makes a withdrawal for such in-state Tuition, they are entitled to the greater of the cost of Tuition at the university or community college (depending on the program selected) or the Minimum Benefit—which accrued earnings at the rate of 6% on the balance of any contributions made prior to November 1, 2021) and at a rate linked to the Federal 10-year Treasury Note for contributions made after November 1, 2021. For an out-of-state or private university or college, the Benefit is the average weighted cost of attendance at a Maryland university (for the University Plan) or at a Maryland community college (for the Community College Plan). The Prepaid College Trust does not cover all out-of-state Tuition. However, if the Tuition benefit is less than the Minimum Benefit, the plan pays the Minimum Benefit. It does not pay for ALL private school Tuition or out-of-state Tuition. Rather, the student receives the same Benefit as those students who elect to attend an in-state university.

If funds were contributed prior to November 1, 2021 but were also distributed for tuition (in-state or out-of-state) prior to November 1, 2021, the funds attributable to the earlier distributions are not entitled to the new earnings rate – rather they would have received the rate in effect under the Plan at the time of that distribution. Please refer to the Prepaid College Trust Plan Disclosure Statement which discusses this calculation, the Operating Expense deductions, and how these apply. We are happy to work with you on your unique situation if you complete and return the Request for Account Support Form.

Will the interest calculation issue delay Tuition payments for upcoming Tuition cycles?

We are working diligently with outside consultants to fully identify the calculation issue and with Intuition to correct the Minimum Benefit calculation as quickly as possible. As discussed above, we are also working with outside consultants on the temporary, manual solution. All Tuition Benefits should be processing. We are happy to work with you on your unique situation, but ask that you please complete and return the Request for Account Support Form.

Why would Account Holder's Account page show different amounts from what it should have been under the Plan Disclosure Statement?

If you visited your Prepaid College Trust Account page after November 1, 2021, you may have seen a Minimum Benefit amount that was too small or too large based on your contributions. The difference in amounts could be due to the error in the calculation of the Minimum Benefit that has caused some accounts to display the wrong Minimum Benefit calculation.

Maryland 529 will be auditing prior payouts to make sure that everyone received what your Beneficiary should have under the plan. If you had a previous distribution, but should have received more, we will correct this and either increase available Benefits, work with you to make distributions for Qualified Educational Expenses, or refund Excess Benefits. If you have specific concerns now, we ask that you please complete and submit the Request for Account Support Form. That will put you in the queue to have your accounts reviewed. When you submit the background information, please provide any information you can on any out-of-pocket expenses or Qualified Educational Expenses that were not paid.

If you have specific questions related to the amounts shown on your account page, please go to www.maryland529.com and complete and submit the Request for Account Support Form. The submission of the completed form will give us the information we need to work with consultants and Intuition to address the issue.

If I already rolled over principal, will Maryland 529 pay interest on earnings that are being held in the Account?

All funds in the Account continue to grow earnings under the Plan rates (which vary depending on when the contribution was made). So long as you are not limited by the maximum time limit (see the Plan Disclosure Statement under "Time Limit", which is 10 years from the projected date of enrollment), earnings will continue to accrue.

How are Operating Expenses applied?

When you make contributions, an Operating Expense deduction of 2.5% is deducted. Contracts purchased prior to December 1, 2021 also have a \$4.00 fee each time funds were contributed.

How are earnings calculated for Accounts in existence on October 31, 2021?

If you made contributions prior to November 1, 2021, the earnings increase at the rate of 6% per year, compounded monthly. These contributions continue to earn at the 6% rate. However, if funds that were contributed prior to November 1, 2021, were also distributed for Tuition prior to November 1, 2021, the funds attributable to the earlier distributions are not entitled to the new earnings rate – rather they would have received the rate in effect under the Plan at the time of that distribution. The new rate is applicable to the balance of pre-November 1, 2021 contributions still in your account as of that date. If you made contributions to your plan after November 1, 2021, you will earn a rate that is set annually based on the 10-year Treasury Note.

My Account is impacted. What are my options as a MPCT Account Holder?

MPCT Account Holders can still pay Tuition from their Accounts. Benefits are available as full in-State Tuition and Mandatory Fees at Maryland Public Colleges or the Weighted Average Tuition for private or out-of-state school. If your child is attending an out-of-state or private institution, you may still receive the Weighted Average Tuition to pay for Tuition and Mandatory Fees. If you are found to have been entitled to a higher Minimum Benefit for the semester, the additional earnings will be attributed to your Account after the interest calculation is corrected and will be available as Excess Benefits. See page 9 of the MPCT Disclosure Statement for more information on Excess Benefits.

Account Holders can also request a distribution of their available principal. If you choose to roll over funds into another 529 plan prior to the interest calculation correction, you can roll over your principal, but earnings will not be available to roll over until the interest calculation is corrected, and federal law allows for only 1 rollover in a rolling 12-month period.

If you have a specific question about your Account, please call 1-888-4MD-GRAD (1-888-463-4723) and select option 2.

I submitted a completed Account Support Request Form, now what?

Please note that our team is working diligently to correct the calculation error. We understand how important these issues are to our Account Holders and beneficiaries. Towards that end, we are working with our consultants to intake information submitted from the completed Account Support Request Forms and are developing a temporary process to manually calculate the Minimum Benefit. With this temporary process, we are working to identify and prioritize more urgent requests to trigger the manual calculation (see FAQ, "[What is considered an 'urgent' or 'priority' request to trigger the application of the 'manual' process?](#)" below). All of these efforts are being made simultaneously with the goal of resolving the calculation error for the benefit of the Prepaid Trust, its Account Holders, and beneficiaries. We do not, however, want to sacrifice accuracy for a quick fix. We, therefore, ask for your continued patience as we work toward fixing the calculation and then addressing the specific requests of all Account Holders.

Many Account Holders have reached out to us with account-specific requests that require a correction of the calculation error before the requests can be fulfilled. While we work toward implementing the "manual" calculations process, we cannot respond to account-specific questions. Rest assured, however, we are working on your requests. If you have completed the Account Support Request Form and returned the form as instructed above, you should have received an email confirming that we received your completed form. We will contact you via email as soon as we can to advise when your request is in the "manual" calculations process and when that process is complete. We will also update this Website when new information is available.

Please continue to monitor your emails and this Website for additional updates.

What is Maryland 529 doing to give Account Holders access to contributions?

All Account Holders have access to any contributions made into their Accounts less any Distributions, Operating Expenses and Fees. As you are aware, the issue is with the calculation for accrued Benefits. While we work on the long-term strategy to address the interest calculation issue, our team is developing processes to give Account Holders access to the calculated earnings if they seek a refund, rollover, or any additional amount available as your Minimum Benefit. This temporary program will be a "manual" process, which is designed to provide you with access to the full value of your account. For requests deemed urgent (as discussed below), this manual process will be applied.

In addition, our outside consultants are working with Intuition to develop a plan to resolve the overall calculation issue so that Account Holders can see this information in the online portal.

When will the problem be fixed?

The review by the outside audit team is underway and Maryland 529 staff, the auditors and Intuition College Savings Solutions, LLC continue to meet daily to oversee the progress.

While the parties are working toward an accurate correction as quickly as possible, it is possible they will need additional time to fully identify and reconcile all issues with the impacted Accounts.

What is happening with the Maryland Prepaid College Trust?

The Maryland Senator Edward J. Kasemeyer Prepaid College Trust (MPCT or the Trust) is currently paying Tuition benefits, but some interest earnings may not be immediately available. Full, in-state Tuition and Mandatory Fees are payable for Maryland Public Colleges, and the Weighted Average Tuition continues to be payable for private and out-of-state schools. However, some Account Holders may not currently have access to all of their interest earnings or may ultimately be entitled to a Minimum Benefit that is greater than what they received under the distribution options currently available. No earnings have been or will be lost, only delayed in their availability for distribution. We recognize the uncertainty caused by these issues and are working diligently to address them.

What can Account Holders do to get answers to specific Account questions and have immediate needs addressed?

We have established an email address at mpctassistance.md529@maryland.gov for Account Holders to use to specifically request assistance with the calculation issue. This mailbox is not managed by Intuition and is attended to daily by our team.

During the September 29, 2022 meeting, Maryland 529 announced that we have developed a more formal process for intaking and prioritizing Account Holder's questions and needs. Specifically, there is now a Request for Account Support Form which can be accessed by scrolling to the top of this page. Completing this form is the best way to trigger an individual Account review. We will use your responses to the form to intake your specific Account issues and work with Intuition and our consultants to resolve your specific Account needs. As instructed in the Account Support Form, please complete the Form with as much detail as possible. You can send us the form in one of two ways: (1) mail a hard copy to the Maryland 529 mailing address provided on the form; or (2) send via email to mpctassistance.md529@maryland.gov.

You may also call our toll-free number - 1-800-734-5382- if you need help completing and submitting the Account Support Form. It will be staffed with professionals between the hours of 10:00 am to 5:00 pm EST Monday through Friday (excluding U.S. holidays and certain other blackout dates). This call center is separate from Intuition's customer support line. The purpose of the call center is to assist you in finding and in completing the Request for Account Support Form, if needed. Call center operators will not be able to address your specific issues in real time. Completion of the form will be necessary to confirm Account Holder information and scope of the issue in question. We will work with Intuition and outside consultants to address any issues.

The information collected from these sources will allow us to prioritize responses and act based on the urgency of the request. For example, if you have a Tuition payment due soon, we will work with you to ensure that payment is made. An urgent case will be prioritized over an Account Holder who is not yet eligible to withdraw funds.

What is Maryland 529 doing to solve the problem?

Maryland 529 is working with the MPCT program manager, Intuition College Savings Solutions, LLC and our auditor to resolve the issues as quickly as possible. We are meeting every day to identify all impacted Accounts and to ensure the system update will result in accurate Account adjustments. The Maryland 529 Board has been and will continue to be updated regularly by staff and the auditors with respect to the correction and with recommendations as to any further remediation that may be necessary once the system update has been implemented.

I need to complete the FAFSA application. Where can I find the FAFSA value of my Maryland 529 Prepaid College Trust Account?

Maryland 529 cannot provide advice as to how to complete the FAFSA application. However, we can direct Account Holders to information to assist with providing the information requested in the application. Under the 529 Prepaid College Trust account (defined benefit plan), Account Holders are eligible to receive contributions net of any distributions plus certain earnings attributable to their account. All other benefits depend on several factors, including but not limited to: whether the student attends Maryland college versus an out-of-state university; the timing of any distributions; any legislative amendments; etc. As a result, the “value” of your account is subject to change on any given day for a number of factors.

The total “value” of your account under the Prepaid College Trust at this time is the total amount you contributed minus the total amount of distributions, if any. You can view your account’s contributions and distributions by logging in to your account online. Specifically, contributions can be found on the “Payment History” page under the “My Accounts” tab and distributions can be found on the “Claims History” page under the “Benefits” tab. Please note that your total distributions will not be located on the “Claims History” page if you received a full refund. If you receive a full refund, you will be issued a confirmation letter that outlines the total distribution. You can view that letter under the “Documents” tab.

As noted above, these amounts are subject to change based on any number of factors which could occur at any time. Therefore, it is important to note the date you pull the total contributions and total distributions from your account’s Intuition portal. For your records, we encourage you to keep a print-out from your Account’s Intuition portal showing these amounts as of the date you pull the amounts.

What is considered an “urgent” or “priority” request to trigger the application of the “manual” process?

As noted above, the information collected from the Request for Account Support Forms allows us to prioritize responses and act based on the urgency of the request. Completing this form is the only way to trigger an individual Account review. We are currently working with our consultants to intake information submitted from the forms and develop a process to prioritize those Account Holders who have submitted forms.

At this time, we are considering the following requests “urgent” for purposes of triggering the “manual” review process discussed above: Account Holders with students currently enrolled with tuition payments due and Account Holders who have already made payments toward tuition and college costs and, therefore, need to be reimbursed; Account Holders who have sought to either close accounts and obtain a refund or rollover of their accounts into qualified college savings plans; and any additional Account Holders whose beneficiaries have a projected year of enrollment in 2022 or 2023. All other Account Holders who have submitted Account Support Request forms and do not fall into any of the above categories will still receive priority review over any accounts for which a request form has not been submitted. Again, you **MUST** complete and submit the Request for Account Support Form to qualify as an “urgent” request warranting a “manual” review.

We will notify you via email once your Account is in the “manual” process and when that process is complete.

Why did the Board hold a closed session special meeting on December 19, 2022?

Maryland 529 is a public entity and as such it holds the bulk of its meeting in the open public forum. Notice of meetings must typically be posted in advance to alert the public. The Board may also go into closed session, in accordance with the requirements of the Maryland Open Meetings Act, to discuss certain types of matters but must first meet in open session in order to announce and hold a vote to move into closed session.

Article VII, Section 4 of the Bylaws of the Maryland 529 Board allows the Maryland 529 Board to hold special meetings upon the call of the Chairperson. The normal five-day notice period required by Section 4 is waived if the Chairperson determines that special circumstances warrant shorter notice. In this case, the Chairperson of the Maryland 529 Board

determined that a special closed meeting was needed prior to the end of the calendar year and on December 19, 2022, the Chair scheduled a special meeting of the Board to be held from 4:00-4:30 on December 19. The Open Meetings Act Compliance Board has commented that when a meeting is called on short notice, one way to satisfy the requirements of informing the public of meetings is to send correspondence to e-newsletter subscribers. Maryland 529, then, announced the meeting to subscribers including an agenda of the meeting. The meeting was scheduled and held for purposes of getting advice from the attorneys on the ongoing Minimum Benefit review. Advice from counsel was received in closed session.

Video Address Archive

September 29 MPCT Virtual Town Hall



MD529 Executive Director Addresses This Issue

Maryland 529 Board Meeting - September 15, 2022

