



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

DRAFT

MICHIGAN EDUCATION TRUST MINUTES

The Michigan Education Trust Board held a regular meeting on November 14, 2019 at 10:00 a.m. in the State Treasurers’ Board Room, Richard H. Austin Building, Lansing, Michigan.

Members Present: Treasurer Rachael Eubanks
Ms. Cheryl Bartholic (Not present for Resolution Votes)
Mr. Robert Ferrentino
Mr. Michael Flynn
Mr. Ronald Wisner
Dr. Virinder Moudgil

Members Not Present:
Mr. Robert Bowman
Dr. Glen Mroz
Ms. Kristin Beltzer

Treasurer Rachael Eubanks called the meeting to order at 10:02 a.m.

I. Approval of Minutes of Thursday, August 1, 2019 Meeting.

Treasurer Eubanks presented the minutes of the August 1, 2019 meeting to the Board for approval. Dr. Virinder Moudgil, made a motion to approve the minutes, supported by Mr. Robert Ferrentino. The minutes were approved unanimously (5-0).

II. Public Comment

None

III. Executive Director’s Report

Ms. Robin Lott gave a summary of the Executive Director’s report noting that for the 2019 enrollment period as of September 30, 2019, MET sold 1,682 contracts, representing \$27,212,834 in prepaid tuition. The total contracts sold include 802 Pay-As-You-Go contracts \$3,918,658 in prepaid tuition. Last year MET sold 1,596 contracts, representing about \$30,672,325 in prepaid tuition which included 656 Pay-As-You-Go (PAYG) contracts representing \$3,007,459 in prepaid tuition. Contributions made to 2016, 2017 and 2018 PAYG contracts during the 2019 enrollment period = \$5,316,869 in prepaid tuition.

IV. Financial Issues

A. Presentation by Woodrow Tyler and Nick Whitman, Bureau of Investments

Mr. Woodrow Tyler introduced Mr. Nick Whitman from the Bureau of Investments. He stated that Mr. Whitman will present on MET I and he would present on MET II.

Mr. Whitman provided an investment report as of September 30, 2019 stating that the MET I's market value was \$115.3 million as of September 30, 2019. He stated that MET I is closed to new contract receipts; correspondingly, assets decline as tuition obligations are met. MET I's estimated income and dividends over the next twelve months is \$3.6 million. MET I's overall performance return of 10.2% is in line with an overfunded portfolio with the purpose of meeting the liquidity need of tuition withdrawals.

Mr. Woodrow Tyler provided an investment report as of September 30, 2019, stating that MET II's market value was \$975.8 million as of September 30, 2019. He stated that MET II portfolio is expected to earn investment income of approximately \$35.4 million over the next 12 months.

Mr. Michael Flynn arrived at the meeting at 10:30AM before the resolution's votes.

B. Presentation by Mr. Paul Wood and Mr. James Sparks of GRS

Mr. Paul Wood of GRS presented an update on the actuarial review of the financial position of MET. He stated that MET I actuarial surplus increased from \$49.5 million to \$57.7 million and is 201.1% funded. MET II actuarial surplus increased from \$195.0 million to a surplus of \$226.2 million and is 128.9% funded.

Mr. James Sparks presented on the September 30, 2019 valuation results based on approved assumptions as well as a comparative valuation results of MET I and MET II. Mr. Sparks also presented sensitivity scenarios which calculated results under alternate assumption sets to illustrate potential future outcomes for both MET I and MET II.

Mr. Wood presented MET contract preliminary pricing recommendations for the 2019/2020 enrollment period. Mr. Wood recommended a 0.00% increase for Full and Limited Benefit Contracts during the first half of the 2020 enrollment period and 0.00% increase for Full Benefits and 3.00% increase for Limited Benefit Contracts during the second half of the 2020 enrollment. Mr. Wood recommended a 0.00% increase during the first half of the 2020 enrollment and 5.00% during the second half of the 2020 enrollment period for Community College Contracts.

In addition, Mr. Wood proposed to lower the embedded interest rate for Monthly purchase contracts from 7.01% to 5.5%.

Ms. Cheryl Bartholic left the meeting at 11:28AM before the resolution's votes.

C. 2020 MET Contract Prices - Resolution 2019-7

Ms. Lott presented the Resolution for the 2020 MET Contract Prices. Ms. Lott stated that the assumptions and contract prices based on the price for Full, Limited and Community College contracts assuming that a) the fund earns 5.50%; b) the growth in tuition will be 5.50% for year one, 5.00% for year two and 4.50% thereafter; c) the price increase for Full and Limited Benefit Contracts will be 0.00% during the first half of the 2020 enrollment period and 0.00% for Full Benefits and 3.00% for Limited Benefit Contracts during the second half of the 2020 enrollment; and d) the price increase for Community College Contracts will be 0.00% during the first half of the 2020 enrollment period and 5.00% during the second half of the 2020 enrollment period. The Monthly Purchase prices are based on an assumed rate of return of 5.50% for the 2020 enrollment period.

Ms. Lott recommended that the Board adopt Resolution 2019-7. Mr. Ronald Wisner motioned to approve Resolution 2019-7 and was supported by Dr. Moudgil. The resolution was approved unanimously by a roll call vote, 5-0.

D. 2020 MET Charitable Contract Prices - Resolution 2019-8

Ms. Lott presented the Resolution for the 2020 MET Charitable Contract Prices. Ms. Lott stated that the assumptions and contract prices are based on the price for Full, and Community College contracts assuming that a) the fund earns 5.50% ; b) the growth in tuition will be 5.50% for year one, 5.00% for year two, and 4.50% thereafter; c) the price increase for Full and Limited Benefit Contracts will be 0.00% during the first half of the 2020 enrollment period and 0.00% for Full Benefits and 3.00% for Limited Benefits Contracts during the second half of the 2020 enrollment; and d) the price increase for Community College Contracts will be 0.00% during the first half of the 2020 enrollment period and 5.00% during the second half of the 2020 enrollment period. The Monthly Purchase prices are based on an assumed rate of return of 5.50% for the 2020 enrollment period.

Ms. Lott recommended that the Board adopt Resolution 2019-8 Mr. Ferrentino motioned to approve Resolution 2019-8 and was supported by Dr. Moudgil. The resolution was approved unanimously by a roll call vote, 5-0.

V. Policy and Program Issues

A. 2020 MET Contracts - Resolution 2019-9

Mr. Ferrentino moved that the Board adopt Resolution 2019-9, 2020 MET Contracts, supported by Mr. Michael Flynn. The resolution passed unanimously by a roll call vote, 5-0.

B. 2020 MET Charitable Contracts - Resolution 2019-10

Dr. Moudgil moved that the Board adopt Resolution 2019-10, 2020 MET Charitable Contracts, supported by Mr. Flynn. The resolution passed unanimously by a roll call vote, 5-0.

C. 2019-2020 MET Contract Enrollment Period - Resolution 2019-11

Ms. Lott presented Resolution 2019-11, 2019-2020 MET Contract Enrollment Period which proposes a 2020 contract enrollment period of December 1, 2019 to September 30, 2020.

Ms. Lott recommended the Board adopt Resolution 2019-11, 2019-2020 MET Contract Enrollment Period. Mr. Ferrentino motioned to approve Resolution 2019-11 and was supported by Dr. Moudgil. The resolution passed unanimously by a roll call vote, 5-0

D. MET Contract Amendments- Resolution 2019-12 & 2019-13

Ms. Lott presented Resolution 2019-12, MET Contract Amendment for Mandatory Fees which authorizes MET to offer each Purchaser the opportunity to enter into a contract amendment to be signed by purchaser and MET revising the definition of mandatory fees to remove the 2012 cap in applicable MET contracts issued in 2013-2019 effective for payments made to colleges no earlier that the Winter/Spring 2020 semester.

Ms. Lott recommended the Board adopt Resolution 2019-12, MET Contract Amendment for Mandatory Fees. Dr Moudgil motioned to approve Resolution 2019-12 and was supported by Mr. Wisner. The resolution passed unanimously by a roll call vote, 5-0

Ms. Lott presented Resolution 2019-13, MET Contract Amendment for Transfer and Termination After Half-Way Point authorizes MET to offer each Purchaser the opportunity to enter into a contract amendment to be signed by purchaser and MET deleting Section 6(c) and Section 7(f) in applicable MET Full Benefits and Limited Benefits contracts issued in 2005-2019; and Resolution 2005-3 is modified to allow a refund effective no earlier that the Winter/Spring 2020 semester.

Ms. Lott recommended the Board adopt Resolution 2019-13, MET Contract Amendment for Transfer and Termination After Half-Way Point. Mr. Flynn motioned to approve Resolution 2019-12 and was supported by Mr. Ferrentino. The resolution passed unanimously by a roll call vote, 5-0

E. Watkin-Mast Request to Transfer- Resolution 2019-14

Ms. Lott presented Resolution 2019-14, Watkins-Mast Request to Transfer, requesting that the Board deny the request for transfer of the contract based on the Sections 6(1)(d) and 8(2) of 1986 PA 316, the underlying statute for the 1988 MET contract, as well as Section 6 of the contract.

Ms. Lott recommended the Board adopt Resolution 2019-14 Watkins-Mast Request to Transfer. Mr. Ferrentino motioned to approve Resolution 2019-14 and was supported by Mr. Moudgil. The resolution passed unanimously by a roll call vote, 5-0

VI. Marketing and Public Relations

A. Presentation by Roni Rucker-Waters & Emmie Musser of Gud Marketing

Ms. Emmie Musser, Media Director for Gud Marketing presented on the activities and

results of the 2019 marketing campaign with the overall goal to drive MET enrollment. Key findings of the campaign were; MET is valued as a holiday gift, Statewide influencers extended the campaign reach, the \$100 match drove new contracts, parents are primary purchaser and grandparents are on the rise, and deadlines and specific life events inspire action.

Ms. Roni Rucker-Waters gave a brief overview of the 2020 Marketing Plan for MET. Ms. Rucker Waters stated that they will continue to elevate brand awareness of MET to new and prospective contract holders and leverage high-enrollment periods to drive consideration into action. Ms. Rucker-Waters also presented MET's new campaign; Change Your Perspective.

VII. 2020 Board Meeting Schedule

The 2020 Board meeting schedule was presented to the Board.

Treasurer Eubanks suggested adjournment of the November 14, 2019 MET Board Meeting. Dr. Moudgil made a motion to adjourn the November 14, 2019 MET Board Meeting, supported by Mr. Flynn. The meeting adjourned at 12:11 p.m.

Minutes were approved on: _____

Chairman

Executive Director