



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RACHAEL EUBANKS
STATE TREASURER

MICHIGAN EDUCATION TRUST MINUTES

The Michigan Education Trust Board held a regular meeting on August 3, 2022, at 1:00 p.m. in the State Treasurers' Board Room, Richard H. Austin Building, Lansing, Michigan.

Members Present: Treasurer Rachael Eubanks
 Dr. Virinder Moudgil
 Dr. Dale Nesbary Via Teams
 Mrs. Maddy Day
 Mr. Michael Flynn
 Mrs. Marlin Williams
 Mr. Ronald Wisner
 Dr. Philomena Mantella

Members Not Present: Mr. Robert Bowman

Ms. Rachael Eubanks, State Treasurer, called the meeting to order at 1:01 p.m.

Changes to the Agenda

A. None

I. Approval of Minutes of Thursday, May 11, 2022, Meeting.

Ms. Eubanks presented the minutes of the Thursday, May 11, 2022, meeting to the Board for approval. Dr. Virinder Moudgil, made a motion to approve the minutes, supported by Mr. Michael Flynn. The minutes were approved unanimously (8-0).

II. Public Comment

None

III. Executive Director's Report

Ms. Diane Brewer gave a summary of the Executive Director's report noting that for the 2022 enrollment period as of July 26, 2022, MET sold 677 contracts which was down 6.9% from last year. At June 30, 2022 there were 617 contracts representing \$10,775,301.23 million in prepaid tuition which is up 3.5% from last year. Additional contributions made to PAYG contracts from 10/1/2022 to 6/30/2022 totaled \$4,808,069.28 in prepaid tuition.

Ms. Brewer also gave a summary of the Pricing and/or Equity Processing. There were 2,218 letters sent to Lump Sum and Monthly Purchase contract holders. As of July 26, 2022, 858 completed forms have been received (38%). Of the 858 received, 293 (34%) have been processed with 13% requesting that the funds be reapplied and 87% requesting refunds. The 298 refunds total \$846,396 and have been processed. There were 1,435 Pay-As-You-Go contract letters mailed. As of July 26, 2022, 406 (28%) completed forms have been

received. The PAYG pricing calculation is scheduled to go into production July 28, 2022, so processing can begin.

Marketing and Public Relations

A. Presentation by Ms. Michelle Ntoko of Gud Marketing

Ms. Ntoko presented the GUD Marketing Report, focusing on the final weeks of the 35th Anniversary Sweepstakes. As of July 19, 2022, 39,488 entries have been received reaching every corner of the state. A final push will begin in August with TV, Print, Digital, and content marketing and paid social media. The winners will be drawn September 1, 2022 and announced in September with a Statewide celebration. The Choose Your Own Adventure Campaign Earned Media report for the sweepstakes were also reviewed.

IV. Financial Issues

A. Presentation by Lan Chen and Greg Parker, Bureau of Investments

Mr. Greg Parker introduced Ms. Lan Chen from the Bureau of Investments. Ms. Chen presented on MET I and MET II.

Ms. Chen provided an investment report stating that the MET I's market value was \$90.4 million as of June 30, 2022. She 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 \$3.1 million.

Ms. Chen also provided an investment report stating that MET II's market value was \$940.1 million as of June 30, 2022. She stated that MET II's estimated income and equity dividends for the next 12 months is \$23.7 million.

B. Presentation by Paul Wood and James Sparks of GRS

Mr. James Sparks presented on the Interim Update as of June 30, 2022, stating that the asset returns for the first three quarters of the year has been unfavorable for both MET I and MET II. Estimated annual return for MET I was -11.5% and -5.1% for MET II. Mr. Sparks stated that on a preliminary basis, the actual tuition increase is around 3.60% overall and is comparable to the expected increase rate of 4.50%. Other items that will impact the actual actuarial valuation results will be demographic changes & new contract sales and actuarial soundness assumptions.

Mr. Paul Wood of GRS presented recommendations for the 2022-23 actuarial valuation, the Actuary recommends the Board assume tuition increases at 4.50% for all years for both MET I and MET II; assume investment rate of return for MET I of 2.45% and MET II of 5.50%. The MET I discount rate was calculated based on a 12- month average of the weighted yield to maturity of the MET I portfolio from July 2021 through June 2022. The method of setting this assumption is consistent with last year and is intended to reduce year to year volatility of the discount rate. Based on information received from the Bureau of Investments, the discount rate is estimated to be 2.45%. The Actuary recommends that these assumptions be revisited before each valuation.

C. Actuarial Soundness Assumptions - Resolution 2022-13

Ms. Brewer presented the Resolution 2022-13 for actuarial assumptions for soundness for MET I and

MET II.

Mr. Flynn moved that the Board adopt Resolution 2022-13, Actuarial Assumptions for Soundness for MET I and MET II, supported by Ms. Maddy Day. The resolution passed unanimously by a roll call vote (8-0).

D. 2022-2023 Budget- Resolution 2022-14

Ms. Brewer gave a summary of the proposed fiscal year 2022-23 budget amount of \$5,933,624.00 represents .551% (55.1 basis points) of the total asset value of MET I and MET II as of June 30, 2022. As a point of reference, the MET policy allows up to 1.00% (100 basis points) to cover administrative costs.

Ms. Brewer stated there is a 6.54% decrease in the proposed fiscal year 2022-23 budget (approximately \$414,314.24) as compared to the budget adopted May 11, 2022. The decrease is a result of the reduced marketing and Intuition line-items no longer required for expenses related to sweepstakes promotion and calculations for age-based pricing.

Mr. Flynn moved that the Board adopt Resolution 2022-14, 2022-23 Budget, supported by Dr. Moudgil. The resolution passed unanimously by a roll call vote (8-0).

E. Signatories- Resolution 2022-15

Ms. Brewer presented Resolution 2022-15 for Signatories stating that, due to the retirement of Woodrow Tyler, his name will be removed, and Lan Chen will be added.

Mr. Ron Wiser moved that the Board adopt Resolution 2022-15, Signatories, supported by Ms. Day. The resolution passed unanimously by a roll call vote (8-0).

V. Policy and Program Issues

A. 2023 MET Contracts – Resolution 2022-16

Ms. Brewer presented Resolution 2022-16, 2023 MET Contracts.

Mrs. Marlin Williams moved that the Board adopt Resolution 2022-16, 2023 MET Contracts, supported by Dr. Philomena Mantella. The resolution passed unanimously by a roll call vote (8-0).

B. 2023 MET Charitable Contracts - Resolution 2022-17

Ms. Brewer presented Resolution 2022-17, 2023 MET Charitable Contracts.

Ms. Day moved that the Board adopt Resolution 2022-17, 2023 MET Charitable Contracts, supported by Dr. Moudgil. The resolution passed unanimously by a roll call vote (8-0).

C. 2022-2023 MET Contract Enrollment Period - Resolution 2022-18


Ms. Brewer presented Resolution 2022-18, 2022-2023 MET Contract Enrollment Period which proposes a 2023 contract enrollment period of December 1, 2022, to September 30, 2023.

Mr. Wisner motioned to approve Resolution 2022-18, 2022-2023 MET Contract Enrollment Period, and was supported by Dr. Moudgil. The resolution passed unanimously by a roll call vote (8-0).

VII. Next Meeting Date - November 10, 2022 at 1:00 p.m.

Treasurer Eubanks suggested adjournment of the August 3, 2022, MET Board Meeting. Mr. Flynn made a motion to adjourn the August 3, 2022, MET Board Meeting, supported by Dr. Moudgil. The meeting adjourned by Ms. Eubanks at 2.37 p.m.

Minutes were approved on: November 10, 2022


Chairman


Executive Director