



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

NICK A. KHOURI
STATE TREASURER

MICHIGAN EDUCATION TRUST MINUTES

The Michigan Education Trust Board held a regular meeting on August 2, 2018 at 10:00 a.m. in the State Treasurers' Board Room, Richard H. Austin Building, Lansing, Michigan.

Members Present: Ms. Anne Wohlfert, designee for Treasurer Khouri
Mr. Robert Ferrentino
Mr. Michael Flynn
Dr. Virinder Moudgil
Mr. Ronald Wiser
Ms. Kristin Beltzer

Members Not Present: Ms. Cheryl Bartholic
Mr. Robert Bowman
Dr. Glen Mroz

Ms. Anne Wohlfert, Interim Deputy State Treasurer, called the meeting to order at 10:01 a.m.

I. Approval of Minutes of Thursday, May 24, 2018 Meeting.

Ms. Wohlfert presented the minutes of the May 24, 2018 meeting to the Board for approval. Dr. Virinder Moudgil, made a motion to approve the minutes, supported by Ms. Kristin Beltzer. The minutes were approved unanimously (6-0).

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 2018 enrollment period as of June 30, 2018, MET sold 1,108 contracts, representing \$19.9 million in prepaid tuition. The total contracts sold include 479 Pay-As-You-Go contracts. Last year MET sold 1,300 contracts, representing about \$24.4 million in prepaid tuition.

IV. Financial Issues

A. Presentation by Woodrow Tyler and Lan Chen, Bureau of Investments

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

Ms. Chen provided an investment report as of June 30, 2018 stating that the MET I's market value was \$113.4 million as of June 30, 2018. 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 \$3.7 million.

Mr. Tyler provided an investment report as of June 30, 2018, stating that MET II's market value was \$950.9 million as of June 30, 2018. He stated MET II's estimated income and equity dividends for the next 12 months is \$29.6 million.

B. Presentation by Paul Wood of GRS

Mr. Paul Wood of GRS presented the interim results as of June 30, 2018. He stated that MET I Funded Ratio decreased from 153.3% to 152.0% due to the increase in the liabilities and a slight decrease in the assets. The surplus decreased from \$41.8 million to \$38.9 million due to the assets decreasing greater than the liabilities. MET II Funded Ratio decreased from 115.7 to 114.5%. The surplus decreased by about \$10 million due to the assets returns below the investment return.

Mr. Wood presented recommendations for the actuarial assumptions for soundness for MET with a tuition increase assumption of 6% for one year, 5.5% for year 2, 5% for year 3, and 4.5% thereafter for MET II and a discounted rate assumption recommendation of 3.59% for MET I; and 5.5% for MET II.

C. Actuarial Soundness Assumptions - Resolution 2018-1

Ms. Wohlfert presented the Resolution for actuarial assumptions for soundness for MET I and MET II.

Mr. Flynn moved that the Board adopt Resolution 2018-1, Actuarial Assumptions for Soundness for MET I and MET II, supported by Dr. Moudgil. The resolution passed unanimously by a roll call vote (6-0).

D. 2018-19 Budget - Resolution 2018-2

Ms. Lott gave a summary of the proposed fiscal year 2018-19 budget amount of \$4,860,889, which represents 0.44% (.0044 basis points) of the total asset value of MET I and MET II as of June 30, 2018. As a reference, the MET policy allowed up to 1% (100 basis points) to cover administrative costs. She stated that there is a 1.57% decrease in the proposed fiscal year 2018-19 budget (approximately \$77,145) as compared to last year. Most of this decrease is reflected in DTMB Support and Database System Design (intuition).

Mr. Robert Ferrentino moved that the Board adopt Resolution 2018-2, 2018-19 Budget, supported by Ms. Beltzer. The resolution passed unanimously by a roll call vote (6-0).

E. Contract for MET PRIMA Systems – Resolution 2018-3

Ms. Lott stated that the contract with Intuition College Savings Solutions, LLC, was a three-year contract (February 1, 2010 through January 31, 2013) with five, one-year renewal options. The fifth, one-year renewal option expired on January 31, 2018. An eight-month contract extension was approved in November which expires September 30, 2018.

Ms. Lott also reported that contract negotiations began with Intuition College Savings Solutions, LLC after there were no responses to and Invitation to Negotiate. She stated that the parties have reached agreement and finalized contract language on many issues but are continuing to negotiate the security

terms. She recommended that the resolution be adopted contingent upon the written approval of all remaining issues by the Department of Technology, Management and Budget (DTMB) and Treasury.

Mr. Ronald Wisner moved that the Board adopt Resolution 2018-3, Contract for MET PRIMA Systems, supported by Ms. Beltzer. The resolution passed unanimously by a roll call vote (6-0).

V. Policy and Program Issues

A. 2019 MET Contracts - Resolution 2018-4

Mr. Ferrentino moved that the Board adopt Resolution 2018-4, 2019 MET Contracts, supported by Ms. Beltzer. The resolution passed unanimously by a roll call vote (6-0).

B. 2018 MET Charitable Contracts - Resolution 2018-5

Dr. Moudgil moved that the Board adopt Resolution 2018-5, 2019 MET Charitable Contracts, supported by Mr. Flynn. The resolution passed unanimously by a roll call vote (6-0).

VI. Marketing and Public Relations

Presentation by Ms. Emmie Musser of Gud Marketing

Ms. Emmie Musser, Media Director for Gud Marketing presented on the activities and results of the marketing campaign from November 2017 to July 2018 as well as a retail-focused, sequential messaging launch and a college savings month blitz through TV, sports marketing and radio.

VII. Next Meeting Date - November 15, 2018

Mr. Wisner made a motion to adjourn the August 2, 2018 MET Board Meeting, supported by Mr. Flynn. The meeting adjourned at 11:33 a.m.

Minutes were approved on: _____

Chairman

Executive Director