



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 5, 2021, 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
Mr. Robert Bowman, Emmet Co, MI
Mrs. Maddy Day, Open Meetings Act Exemption, Kalamazoo Co, MI
Mr. Michael Flynn, Macomb County, Shelby Township, Michigan
Dr. Dale Nesbary
Mrs. Marlin Williams
Mr. Ronald Wiser

Members Not Present:
Dr. Philomena Mantella

Ms. Rachael Eubanks, State Treasurer, called the meeting to order at 1:04 p.m.

Changes to the Agenda

A. Item VI. D. Resolution 2021-13 has been removed from the agenda as the issue has been resolved.

I. Approval of Minutes of Thursday, May 13, 2021, Meeting.

Ms. Eubanks presented the minutes of the Thursday, May 13, 2021, meeting to the Board for approval. Dr. Virinder Moudgil, made a motion to approve the minutes, supported by Mr. Dale Nesbary. 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 2021 enrollment period as of July 29, 2021, MET sold 732 contracts, representing \$10,410,461.84 million in prepaid tuition. Contract sales were down 3.8%. Additional contributions made to PAYG contracts during the 2021 enrollment period was \$2,360,657.85 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. Ms. Chen presented on MET I and Woodrow Tyler presented on MET II.

Ms. Chen provided an investment report stating that the MET I's market value was \$114.6 million as of June 30, 2021. 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 \$2.6 million.

Mr. Tyler provided an investment report as of June 30, 2021, stating that MET II's market value was \$1.052 billion as of June 30, 2021. He stated that MET II's estimated income and equity dividends for the next 12 months is \$27 million.

B. Presentation by Paul Wood of GRS

Mr. Paul Wood of GRS presented the Age-Based pricing considerations along with the risk premium. He stated by using a single price for each type of contract, the risk premium is not even across ages. By virtue of changing to age-adjusted pricing, prices for younger contract holders would be lower than prices for older contract holders. Current Risk Premium for a Full Benefits contract is 22%. For a Limited Benefits contract, the risk premium is 6%. For a Community College contract, the risk premium is -3%. With a target Risk Premium of 10% and using age adjusted pricing for Full Benefits contracts, there would be an overall -12% change in pricing. With a target Risk Premium of 5% and using age adjusted pricing for Limited Benefits contracts, there would be an overall -1% change in pricing. With a target Risk Premium of 0% and using age adjusted pricing for Community College contracts, there would be an overall 3% change in pricing.

Mr. Wood presented recommendations for the actuarial assumptions for soundness for MET with a tuition increase assumption of 5.5% for one year, 5.0% for year 2, and 4.5% thereafter for MET I and MET II and a discount rate assumption recommendation of 2.60% for MET I; and 5.5% for MET II.

C. Actuarial Soundness Assumptions - Resolution 2021-6

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

Mr. Robert Wisner moved that the Board adopt Resolution 2021-6, Actuarial Assumptions for Soundness for MET I and MET II, supported by Mr. Moudgil. The resolution passed unanimously by a roll call vote (8-0).

D. Contract Extension for Actuarial Services- Resolution 2021-7

Ms. Brewer presented the Resolution for Contract Extension for Actuarial Services.

Mr. Nesbary moved that the Board adopt Resolution 2021-7, Contract Extension for Actuarial Services, supported by Ms. Marlin Williams. The resolution passed unanimously by a roll call vote (8-0).

E. One-Year Renewal of Contract for Intuition PRIMA Database Services- Resolution 2021-8

Ms. Brewer presented Resolution 2021-8, One-Year Renewal of Contract for Intuition PRIMA Database Services.

Mr. Wisner moved that the Board adopt Resolution 2021-8, One-Year Renewal of Contract for Intuition PRIMA Database Services, supported by Mr. Nesbary. The resolution passed unanimously by a roll call vote (8-0).

F. 2021-22 Budget - Resolution 2021-9

Ms. Brewer gave a summary of the proposed fiscal year 2021-22 budget amount of \$5,791,958, which represents 0.496% (49.6 basis points) of the total asset value of MET I and MET II as of June 30, 2021. As a reference, the MET policy allowed up to 1% (100 basis points) to cover administrative costs. She stated that there is a 17.3% increase in the proposed fiscal year 2021-22 budget (approximately \$854,637) as compared to last year. Most of this Increase is reflected in Salaries and Wages, Contractual Services, Supplies & Materials (CSS&M) and Equipment & Equipment usage.

Mr. Wisner moved that the Board adopt Resolution 2021-9, 2021-22 Budget, supported by Dr. Moudgil. The resolution passed unanimously by a roll call vote (8-0).

V. Marketing and Public Relations

A. Presentation by Ms. Jill Holden of Gud Marketing

Ms. Jill Holden presented on the research recap, campaign strategy and the next steps from the results. GUD research methodology was through focus groups and surveys done in a virtual environment. GUD discussed the research findings and how they used the group findings to create 2 campaign concepts. For August and September, GUD will focus on building the awareness of MET and educate with key features both statewide and targeted areas.

VI. Policy and Program Issues

A. 2022 MET Contracts – Resolution 2021-10

Ms. Brewer presented Resolution 2021-10, 2022 MET Contracts.

Mr. Wisner moved that the Board adopt Resolution 2021-10, 2022 MET Contracts, supported by Mr. Nesbary. The resolution passed unanimously by a roll call vote (8-0).

B. 2022 MET Charitable Contracts - Resolution 2021-11

Ms. Brewer presented Resolution 2021-11, 2022 MET Charitable Contracts.

Mr. Wisner moved that the Board adopt Resolution 2021-11, 2022 MET Charitable Contracts, supported by Mrs. Williams. The resolution passed unanimously by a roll call vote (8-0).

C. 2021-2022 MET Contract Enrollment Period - Resolution 2021-12

Ms. Brewer presented Resolution 2021-12, 2021-2022 MET Contract Enrollment Period which proposes a 2021 contract enrollment period of December 1, 2021, to September 30, 2022.

Mrs. Williams motioned to approve Resolution 2019-11 and was supported by Dr. Moudgil. The resolution passed unanimously by a roll call vote (8-0).

VII. Next Meeting Date - November 16, 2021

Treasurer Eubanks suggested adjournment of the August 5, 2021, MET Board Meeting. Mr. Wisner made a motion to adjourn the August 5, 2021, MET Board Meeting, supported by Dr. Moudgil. The meeting adjourned by Ms. Eubanks at 4:00 p.m.

Minutes were approved on: November 17, 2021

Michael Oubachs

Chairman

Diane Brewer

Executive Director