



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 November 18, 2020 at 1:00 p.m. as a Virtual Microsoft Teams Meeting.

Treasurer Rachael Eubanks called the meeting to order at 1:02 p.m..

Members Present:

Treasurer Rachael Eubanks, Present, Clinton County, East Lansing, Michigan  
Robert Bowman, Present, Fairfield County, Fairfield, Connecticut  
Virinder Moudgil, Present, Oakland County, Southfield, Michigan  
Cheryl Bartholic, Present, Clinton County, East Lansing, Michigan  
Michael Flynn, Present, Macomb County, Shelby Township, Michigan  
Philomena Mantella, Present, Kent County, Grand Rapids, Michigan  
Ronald Wiser, Present, Kalamazoo County, Kalamazoo, Michigan

Members Not Present:

Dr. Dale Nesbary  
Ms. Marlin Williams

### I. Approval of Minutes of Thursday, August 6, 2020 Meeting

Treasurer Eubanks presented the minutes of the August 6, 2020 meeting to the Board for approval. Mr. Michael Flynn, made a motion to approve the minutes, supported by Mr. Ronald Wiser. The minutes were approved unanimously (7-0).

### 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 2020 enrollment period as of September 30, 2020, MET sold 1,192 contracts, representing \$21,088,758 in prepaid tuition. Contract enrollment is down 23% from 2019. The total contracts sold include 526 Pay-As-You-Go (PAYG) contracts \$2,425,779 in prepaid tuition. Additional contributions made to PAYG contracts during the 2020 enrollment period were \$5,034,228.79 in prepaid tuition. This amount is down 5% from last year.

Ms. Brewer reported that as of October 31, 2020 Michigan Education Saving Program (MESP) had 6,945 new accounts for a total of 274,579 account (down 5% YOY) representing \$6,289,488,490 in assets (up 2.47%). An average account size is \$22,906.

Ms. Brewer reported that as of October 31, MI 529 Advisor Plan (MAP) has 1,248 new accounts for a total of 50,039 accounts (up 1% YOY) representing \$791,488,327 in assets (up 4.1%). Average account size is \$15,817.

#### IV. Financial Issues

##### A. Presentation by Lan Chen and Nick Whitman, Bureau of Investments

Mr. Nick Whitman provided an investment report as of September 30, 2020 stating that the MET I's market value was \$113.8 million as of September 30, 2020. 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 \$2.4 million. MET I's overall performance return of 4.0% is in line with an overfunded portfolio with the purpose of meeting the liquidity need of tuition withdrawals.

Ms. Lan Chen provided an investment report as of September 30, 2020, stating that MET II's market value was \$958 million as of September 30, 2020. She stated that the MET II portfolio is expected to earn investment income of approximately \$30.8 million over the next 12 months. Board members discussed the allocation of investments.

##### B. Presentation by Mr. Paul Wood and Mr. Ken Alberts of GRS

Mr. Ken Alberts of GRS presented an update on the actuarial review of the financial position of MET. He stated that MET I actuarial surplus increased from \$57.8 million to \$63.4 million and is 227.2% funded. MET II actuarial surplus increased from \$221.4 million to a surplus of \$260.2 million and is 135.8% funded.

Mr. Alberts presented on the September 30, 2020 valuation results based on approved assumptions as well as a comparative valuation results of MET I and MET II. Mr. Alberts also presented sensitivity scenarios which calculated results under alternate assumption sets to illustrate potential future outcomes for both MET I and MET II.

Mr. Paul Wood presented MET contract preliminary pricing recommendations for the 2020/2021 enrollment period. Mr. Wood recommended a 0.00% increase for Full, Limited, and Community College Benefit Contracts during the 2021 enrollment period. The Monthly Purchase prices are based on an assumed rate of return of 5.50% for the 2021 enrollment period.

Dr. Dale Nesbary, Muskegon County, Muskegon, Michigan, arrived at the meeting at 2:03 p.m. before the resolutions' votes.

C. 2021 MET Contract Prices - Resolution 2020-7

Ms. Brewer presented the Resolution for the 2021 MET Contract Prices. Ms. Brewer 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) and the price increase for Full, Limited, and Community College Contracts will be 0.00% during the 2021 enrollment period. The Monthly Purchase prices are based on an assumed rate of return of 5.50% for the 2021 enrollment period.

Ms. Brewer recommended that the Board adopt Resolution 2020-7. Mr. Wisner motioned to approve Resolution 2020-7 and was supported by Dr. Virinder Moudgil. The resolution was approved unanimously by a roll call vote, 8-0.

D. 2021 MET Charitable Contract Prices - Resolution 2020-8

Ms. Brewer presented the Resolution for the 2021 MET Charitable Contract Prices. Ms. Brewer 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 Community College Contracts will be 0.00% during the 2021 enrollment period. The Monthly Purchase prices are based on an assumed rate of return of 5.50% for the 2021 enrollment period.

Ms. Brewer recommended that the Board adopt Resolution 2020-8. Dr. Dale Nesbary motioned to approve Resolution 2020-8 and was supported by Mr. Wisner. The resolution was approved unanimously by a roll call vote, 8-0.

V. Policy and Program Issues

A. 2021 MET Contracts - Resolution 2020-9

Ms. Brewer presented the Resolution for the 2021 MET Contracts. Ms. Brewer stated that for the 2021 contracts, staff recommends that in Section 3(g) of the Full Benefits, Limited Benefits and Community College Contracts the last entry, citing 15 years and .056%, be removed. This change is reflected in Full Benefits and Limited Benefits Contracts on page 24 and in Community College Contract on page 29.

Mr. Bob Bowman made a motion to remove the suggested change to the contract attached to the Resolution to provide the opportunity for further study and discussion at a later meeting, supported by Mr. Flynn. The motion to amend the resolution and attached contract was passed unanimously by a roll call vote, 8-0.

Mr. Bowman moved that the Board adopt amended Resolution 2020-9, 2021 MET Contracts, supported by Dr. Philomena Mantella. The amended resolution passed unanimously by a roll call vote, 8-0.

B. 2021 MET Charitable Contracts - Resolution 2020-10

Ms. Brewer presented the Resolution for the 2021 MET Charitable Contracts: 2021 University Full Benefits Plan Contract, 2021 Community College Plan Contract, 2021 University Full Benefits Monthly Purchase Plan Contract and 2021 Community College Monthly Purchase Plan contract (the “MET Charitable Contracts”).

Ms. Cheryl Bartholic moved that the Board adopt Resolution 2020-10, 2021 MET Charitable Contracts, supported by Mr. Wisser. The resolution passed unanimously by a roll call vote, 8-0.

C. 2020-2021 MET Contract Enrollment Period - Resolution 2020-11

Ms. Brewer presented Resolution 2020-11, 2020-2021 MET Contract Enrollment Period which proposes a 2021 contract enrollment period of December 1, 2020 to September 30, 2021.

Ms. Brewer recommended the Board adopt Resolution 2020-11, 2020-2021 MET Contract Enrollment Period. Mr. Wisser motioned to approve Resolution 2020-11 and was supported by Mr. Flynn. The resolution passed unanimously by a roll call vote, 8-0.

D. Appreciation for Robin Lott- Resolution 2020-12

Ms. Brewer presented Resolution 2020-12, Appreciation for Ms. Robin Lott. Mr. Bowman motioned to approve Resolution 2020-12 and was supported by Dr. Moudgil. The resolution passed unanimously by a roll call vote, 8-0.

VI. Marketing and Public Relations

- Treasurer Eubanks indicated a December Board meeting is required in order to consider the approval of a new MET marketing contract. The JEC recommendation is not yet available so this matter could not be brought to the MET Board for approval at the Nov. 18<sup>th</sup> meeting.
- Due to time restraints, the Marketing and Public Relations Presentation from Gud Marketing scheduled for the November 18<sup>th</sup> meeting was postponed until the December MET Board Meeting.

VII. 2021 Board Meeting Schedule

The 2021 Board meeting schedule was presented to the Board.

Treasurer Eubanks suggested adjournment of the November 18, 2020 MET Board Meeting. Mr. Wisser made a motion to adjourn the November 18, 2020 MET Board Meeting, supported by Dr. Moudgil. The meeting adjourned at 3:11 p.m.

Minutes were approved on: \_\_\_\_\_

*Michael Oubach*

Chairman

*Siam Brewer*

Executive Director

Updated: 12/9/2020

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