



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 May 11, 2022, at 1:00 p.m. in the State Treasurers' Board Room, Richard H. Austin Building, Lansing, Michigan.

Treasurer Rachael Eubanks called the meeting to order at 12:59 p.m..

Members Present:

Treasurer Rachael Eubanks
Mr. Michael Flynn, Via Teams
Dr. Dale Nesbary
Mrs. Maddy Day
Mr. Robert Bowman, Via Teams
Dr. Philomena Mantella
Dr. Virinder Moudgil

Members Not Present:

Ms. Marlin Williams
Mr. Ronald Wiser

I. Approval of Minutes of Wednesday, March 9, 2022, Meeting

Treasurer Eubanks presented the minutes of the March 9, 2022, meeting to the Board for approval. The minutes were approved unanimously by voice vote.

II. Public Comment

There were two individuals who made public comments:
Dr. Nahas and Mr. Sheng each reiterated sentiments expressed in their written appeal letters.

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 May 4, 2022, MET sold 496 contracts. At April 30, 2022, Contracts representing \$7,708,357.20 in prepaid tuition was down 4.5%. The total contracts sold include additional contributions made to Pay-As-You-Go (PAYG) contracts representing \$4,531,907.28 in prepaid tuition.

Ms. Brewer reported that as of December 31, 2021, Michigan Education Saving Program (MESP) had 8,307 new accounts for a total of 296,595 accounts (up 4.3% YOY) representing \$7,110,585,158.75 in assets (down 2.5%). An average account size is \$23,974.

Ms. Brewer reported that as of April 30, 2022, MI 529 Advisor Plan (MAP) had 1,594 new accounts for a total of 54,099 accounts (up 4.8% YOY) representing \$963,942.16 in assets (down 0.1%). An average account size is \$17,818.

Ms. Brewer also presented reports on the Marketing Subcommittee as well as the Finance/Investment Subcommittee. Included as background with Resolution 2022-8, Refund or Equity on Age-Based Pricing, was the Refund Discussion presentation made to the Finance Subcommittee on April 19, 2022. The presentation included actuarial analysis, systems quote, draft correspondence to eligible purchasers, processing plans and proposed forms. Board members adopted the actuary's recommendation with instructions for staff to send appropriate correspondence on contracts for which the refund could be \$100 or more.

IV. Financial Issues

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

Ms. Lan Chen provided an investment report as of March 31, 2022, stating that the MET I's market value was \$104.2 million as of March 31, 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 \$2.8 million. The MET I portfolio returned -1.1% for the one-year period ending December 31, 2021.

Mr. Woodrow Tyler provided an investment report as of March 31, 2022, stating that a combination of rising interest rates and global uncertainty caused both the bond and equity markets to sell off in the 1st quarter, resulting in MET II's market value of \$1.026 billion as of March 31, 2022. He stated that the MET II portfolio is expected to earn investment income of approximately \$22.1 million over the next 12 months.

B. Presentation by Mr. Paul Wood of GRS

Mr. Paul Wood of GRS presented an update on the actuarial review of the financial position of MET as of March 31, 2022. He stated that MET I actuarial surplus decreased from \$59.2 million to \$52.8 million and is 204.0% funded. MET II actuarial surplus decreased from \$376.9 million to a surplus of \$370.2 million and is 154.1% funded.

Mr. Wood presented on the impact of the new pricing on current contract holders. Mr. Wood stated the board moved to age adjusted pricing as well as a set risk premium to establish pricing for the current year. Mr. Wood also stated the new pricing structure resulted in a lower price for some age cohorts relative to the prior year's pricing going back to contracts purchased in 2010. He stated that multiple inquiries from current contract holders have been received by MET regarding the potential for refunds. As a

result, MET Staff and Intuition have estimated the cost of providing refunds to eligible current contract holders.

Mr. Wood stated that the refunds are calculated such that eligible current contract holders would potentially receive the difference in prepaid between the pricing at the time of purchase and the current pricing assuming no change in qualifying academic year. He also stated that of those eligible, 91% of the price differences are concentrated in the Full Benefits Contracts and 60% are from Four Year Full Benefits Contracts. 96% of the total dollar amount of refunds is from contracts with a price difference greater than \$500.

V. Policy and Program Issues

A. Refund or Equity for Eligible Contracts- Resolution 2022-8

Ms. Brewer presented Resolution 2022-8 for Refund or Equity for Eligible Contracts

Ms. Brewer recommended that the Board adopt Resolution 2022-8. Mrs. Maddy Day motioned to approve Resolution 2022-8 and was supported by Dr. Dale Nesbary. The resolution was approved unanimously by a roll call vote (7-0).

B. Resolution 2022-3 – Resolution 2022-6 Request Refund or Equity on Age-Based Pricing

Due to the approval of Resolution 2022-8 by the Board, a motion was made by Treasurer Racheal Eubanks to consider Resolution 2022-3 through Resolution 2022-6 moot due to Resolution 2022-8 action. The motion was seconded by Dr. Virinder Moudgil. Resolution 2022-3 through Resolution 2022-6 were considered moot unanimously by a roll call vote (7-0).

C. Change Notice for Intuition Additional Services - Resolution 2022-9

Ms. Brewer presented Resolution 2022-9 for Change Notice for Intuition Services

Ms. Brewer recommended that the Board adopt Resolution 2022-9. Dr. Moudgil motioned to approve Resolution 2022-9 and was supported by Mrs. Day. The resolution was approved unanimously by a roll call vote (7-0).

D. Change Notice for Salesforce Software- Resolution 2022-10

Ms. Brewer presented Resolution 2022-10 for Change Notice for Salesforce Software

Ms. Brewer recommended that the Board adopt Resolution 2022-10. Dr. Philomena Mantella motioned to approve Resolution 2022-10 and was supported by Dr. Moudgil. The resolution was approved unanimously by a roll call vote (7-0).

E. Budget Revision – Resolution 2022-11

Ms. Brewer presented the Resolution 2022-11 budget revisions.

Ms. Brewer recommended that the Board adopt Resolution 2022-11. Mr. Dale Nesbary motioned to approve Resolution 2022-11 and was supported by Mrs. Day. The resolution was approved unanimously by a roll call vote (7-0).

F. Appreciation for Woodrow Tyler – Resolution 2022-12

Ms. Brewer presented Resolution 2022-12, Appreciation for Woodrow Tyler.

Ms. Brewer recommended that the Board adopt Resolution 2022-12. Dr. Mantella motioned to approve Resolution 2022-12 and was supported by Dr. Nesbary. The resolution was approved unanimously by a roll call vote (7-0).

VI. Marketing and Public Relations

A. Presentation by Ms. Michelle Ntoko of GUD Marketing

Ms. Michelle Ntoko presented the marketing campaign update for planning and implementation of the MET 35th Anniversary Million Dollar Giveaway. This statewide campaign will have a primary focus of Michigan parents with young children ages birth-5 years old. The giveaway will award 100 prepaid-tuition contracts for a total of 1.5 million awarded statewide. Ms. Ntoko also discussed the campaign concept, theme, logo and kick-off event.

Treasurer Eubanks suggested adjournment of the May 11, 2022 MET Board Meeting. Dr. Moudgil made a motion to adjourn the May 11, 2022 MET Board Meeting, supported by Dr. Nesbary. The meeting adjourned at 2.55 p.m.

Minutes were approved on: 08/03/2022

Michael Eubanks

Chairman

Diane Brewer

Executive Director