



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

MICHIGAN EDUCATION TRUST MINUTES

The Michigan Education Trust Board held a regular meeting on May 24, 2018 at 12:00 p.m. in the State Treasurers' Board Room, Richard H. Austin Building, Lansing, Michigan.

Members Present: Mr. Eric Scorsone
Ms. Cheryl Bartholic
Mr. Michael Flynn
Mr. Ronald Wiser
Ms. Kristin Beltzer
Mr. Robert Bowman (Via Teleconference)

Members Not Present: Dr. Glen Mroz
Dr. Virinder Moudgil
Mr. Robert Ferrentino

Mr. Eric Scorsone called the meeting to order at 12:04 p.m.

I. Approval of Minutes of November 16, 2017 Meeting.

Eric Scorsone presented the minutes of the November 16, 2017 meeting to the Board for approval. Ms. Cheryl Bartholic 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 2017 enrollment period as of September 30, 2017, MET sold 1,966 contracts, representing \$39.6 million in prepaid tuition. The total contracts sold include 798 Pay-As-You-Go contracts. She stated this is a little lower than last year. Last year MET sold 2,150 contracts, representing about \$46.5 million in prepaid tuition.

Ms. Lott also gave an Intuition Contract update stating that Intuition has proposed a four-year timeframe to supply a SOC 2 Type 2. MET counsel further recommends a short contract term (possible 1 or 2 years) with several renewal options to enable MET to exit the contract more easily. Ms. Lott is hoping to have something to present to the MET Board at the August Board Meeting.

IV. Financial Issues

A. Presentation by Paul Wood and Ken Alberts of GRS

Paul Wood and Ken Alberts presented an experience study to compare actual experience with actuarial assumptions, to review current actuarial assumptions and recommend changes, and to measure the impact of assumption changes as it relates to economic and demographic assumptions.

Mr. Wood presented on the economic assumptions. He stated that the economic assumption recommendations for MET I are to maintain the long-term investment return assumption of 2.21 % based on the weighted yield to maturity of the portfolio as of June 30 each year. The economic assumption recommendations for MET II is to lower the rate of price inflation from 2.50% to 2.25% and to lower the investment return assumption from 6.00% to 5.50%. Paul also recommended lowering the rates of tuition and fee increases to 2.25% above inflation. This will be reviewed again prior to the August Board meeting where the final assumption will be adopted.

Ken Alberts presented on the demographic assumptions. Mr. Alberts presented on rates of Matriculation and Refund findings, probability of Matriculation or refund, utilization of benefits for contracts in payment status and not yet in payment status, termination of contracts, inactive contracts and mortality and disability. Other assumptions discussed in the experience study were the weighted average tuition and bias load, the experience load and administrative expenses as well as the cost impact each of these areas would have on MET I and MET II.

B. Presentation by Greg Parker of the Bureau of Investments

Greg Parker presented on returns and risks as it relates to the MET investment portfolio. He stated that as they look at the returns and risks, there key variables; Market expectations, Projection in cash flow, and an acceptable level of risk.

Mr. Parker provided an investment report as of March 31, 2018 stating that the MET I's market value was \$117.9 million as of March 31, 2018. He stated that MET I is closed to new contract receipts; correspondingly, assets decline as tuition obligations are met. MET I is overfunded at 158.5% with a conservative portfolio. Total payments of \$89 million are estimated to be less than current assets of \$118 million. He also stated that Longevity is a primary risk to MET I.

Mr. Parker also provided an investment report as of March 31, 2018, stating that MET II's market value was \$942.4 million as of March 31, 2018. He stated that at the latest valuation date, MET II was overfunded at \$118.7% with a discount rate requiring a moderate level of risk. Total nominal dollar payments of \$1.3 billion are estimated to be greater than current assets of \$942 million. He also stated that equity market volatility is a primary risk to MET II.

V. Policy and Program Issues

A. 2019 Contracts- Proposed Changes

Ms. Lott presented several 2019 proposed contract changes for consideration at the August 2, 2018 MET Board Meeting. The proposed changes include allowing any remaining credit hours to rollover into a new PAYG Contract on contract expiration, modifying Section 6 to allow Purchaser the ability to transfer to new Beneficiary, modifying Section 7 to allow Purchaser the ability to

terminate, removing the 2012 cap on Mandatory Fees, and waiving the over half-way provision for existing contracts and removing it for new contracts.

VI. Marketing and Public Relations

A. Presentation by Emmie Musser and Roni Rucker-Waters of Gud Marketing

Emmie Musser, Media Director for Gud Marketing, presented on updates from the Parent Survey of October 2017 to provide measurable data on current knowledge and attitudes toward college savings in Michigan.

Roni Rucker-Waters presented on National 529 Day stating that Robin will participate in a media event on May 29, 2018 at the Capitol with Whoodini and Hootie, the MET and MESP mascots. There will be a presentation on the Capitol, interviews with the media, recognition on the Senate and House floors for MET and MESP with Ms. Lott and Jennifer Burke, interview with Detroit Moms Blog and a Facebook live. She also mentioned an event in August to recognize people who have MET contracts that will take place at the Lumnuts Stadium. More details will be given at the August MET Board meeting.

VII. Next Meeting Date- August 2, 2018

Mr. Scorsone suggested adjournment of the May 25, 2018 MET Board Meeting. Mr. Ronald Wisner made a motion to adjourn the May 25, 2018 MET Board Meeting, supported by Mr. Michael Flynn. The meeting adjourned at 1:46 p.m.

Minutes were approved on: _____

Chairman

Executive Director