



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

MICHIGAN EDUCATION TRUST MINUTES

The Michigan Education Trust Board held a regular meeting on November 9, 2023, at 1:00 p.m. in the State Treasurers' Board Room, Richard H. Austin Building, Lansing, Michigan.

Members Present:

Deputy Treasurer Ann Good
Mr. Michael Flynn
Dr. Richard Pappas
Mrs. Maddy Day
Ms. Marlin Williams
Mr. Ronald Wiser
Mr. Robert Bowman, Via Teams

Members Not Present:

Ms. Philomena Mantella

Ms. Ann Good, State Deputy Treasurer, called the meeting to order at 1:01 p.m.

I. Approval of Minutes of Thursday, September 13, 2023, Meeting

Deputy Treasurer Good presented the minutes of the September 13, 2023, meeting to the Board for approval. Dr. Richard Pappas, made a motion to approve the minutes, supported by Mr. Michael Flynn. The minutes were approved unanimously (6-0).

Mr. Ronald Wiser joined the meeting at 1:06 p.m. and was not present for the approval of the September 13, 2023, Board Meeting minutes.

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 2023 enrollment period as of September 30, 2023, MET sold 797 contracts. Contract enrollment is down 52.9% from 2022. This decrease was partially due to 400 GEAR UP Contracts as well as 79 MET 35th Anniversary contest winners included in the 2022 year. As of September 30,

2023, there were 797 Contracts, representing \$14,011,662 in prepaid tuition. The total contracts sold include additional contributions made to Pay-As-You-Go (PAYG) contracts representing \$5,927,856 in prepaid tuition.

Ms. Brewer reported on the updates to the Pricing or Equity forms processing stating that the total or refunded and re-applied payments is less than the \$6 million authorized at \$5,891,639. There were 2,958 pricing update requests processed, including 57 postmarked after the September 30, 2022, deadline. Refunds totaling \$3,916,503 have been processed, the value of re-applied payments is \$1,975,136 and the number of re-applied credit hours is 2,223.

Ms. Brewer reported that as of September 30, 2022, Michigan Education Savings Program (MESp) had 16,524 new accounts for a total of 306,704 account (up 2.7% YOY) representing \$7,077,167,908 in assets (up 10.1%). An average account size is \$23,075.

Ms. Brewer reported that as of September 30, 2023, MI 529 Advisor Plan (MAP) has 2,769 new accounts for a total of 55,718 accounts (up 2.2% YOY) representing \$1,007,204.73 in assets (up 14.7%). Average account size is \$18,077.

IV. Financial Issues

A. Presentation by Krasimir Yankov and Lan Chen, Bureau of Investments

Mr. Krasimir Yankov provided an investment report as of September 30, 2023, stating that the MET I's market value was \$92.2 million as of September 30, 2023. 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 \$3.2 million. The MET I portfolio returned 2.7% for the one-year period ending September 30, 2023.

Ms. Lan Chen provided an investment report as of September 30, 2023, stating that MET II's market value was \$940 million as of September 30, 2023. She stated that the MET II portfolio is expected to earn investment income of approximately \$32.2 million over the next 12 months. The MET II portfolio returned 9.8% for the one-year period ending September 30, 2023. Ms. Chen stated these changes were due to the recent market performance.

B. Presentation by Mr. Paul Wood and James Sparks of Gabriel, Roeder, Smith (GRS)

Mr. James Sparks of GRS presented an update on the actuarial review of the financial position of MET. He stated that MET I actuarial surplus increased from \$51.7 million to \$60.1 million and is 267.6% funded. MET II actuarial surplus increased from \$273.5 million to \$334.9 million and is 151.0% funded. Mr. Sparks stated that tuition and fees were assumed to increase at a rate of 4.5%. The actual increases were lower than assumed for 4-year institutions and Community Colleges and thus resulted in an increase to the surplus. Asset experience was favorable which also resulted in an increase to the surplus.

Mr. Paul Wood presented MET contract preliminary pricing recommendations for the 2023/2024 enrollment period. Mr. Wood stated that in order to maintain the

risk premiums set as a part of last year's pricing exercise, prices would need to increase by the increase in Weighted Average Tuition. Given the surplus and the estimated investment income it has generated, GRS supports no increase in pricing- So long as it is understood that the risk premiums are being subsidized by the surplus. The Monthly Purchase prices are based on an assumed rate of return of 5.50% for the 2024 enrollment period.

Mr. Wood also discussed the recommendation by the Subcommittee on Finance to limit enrollment to beneficiaries who have not yet graduated high school.

C. 2024 MET Contract Prices - Resolution 2023-7

Ms. Brewer presented Resolution 2023-7 for the 2024 MET Contract Prices for University Contracts and Community College Contracts.

Ms. Brewer recommended that the Board adopt Resolution 2023-7. Mr. Flynn motioned to approve Resolution 2023-7 and was supported by Mrs. Marlin Williams. The resolution was approved unanimously by a roll call vote (7-0).

D. 2024 MET Charitable Contract Prices - Resolution 2023-8

Ms. Brewer presented the Resolution 2023-8 for the 2024 MET Charitable Contract Prices.

Ms. Brewer recommended that the Board adopt Resolution 2023-8. Ms. Williams motioned to approve Resolution 2023-8 and was supported by Dr. Pappas. The resolution was approved unanimously by a roll call vote (7-0).

V. Marketing and Public Relations

A. Presentation by Michelle Ntoko and Sara Williams from GUD Marketing

Ms. Michelle Ntoko and Ms. Sara Williams presented on the increase in the annual budget of \$125,000 which allows the campaign to add impressions in the market, achieve an estimated 100+ accounts opened and expand the reach and maximize the impact. Ms. Ntoko and Ms. Williams also presented on the budget allocation for the 2023-2024 campaign. Ms. Ntoko and Ms. Williams also presented on the 2023 campaign impact with a multichannel approach that included radio, digital audio, TV, digital video, social influencers and broad social.

VI. Policy and Program Issues


A. 2024 Board Meeting Schedule

The 2024 Board meeting schedule was presented to the Board.

Deputy Treasurer Good suggested adjournment of the November 9, 2023, MET Board Meeting. Mr. Flynn made a motion to adjourn the November 9, 2023, MET Board Meeting, supported by Ms. Williams. The meeting adjourned at 2:41 p.m.

Minutes were approved on: 8/7/24


Chairman


Executive Director