



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 15, 2018 at 10:00 a.m. in the State Treasurers' Board Room, Richard H. Austin Building, Lansing, Michigan.

Members Present: Ms. Anne Wohlfert (for and on behalf of Treasurer Khouri)
Ms. Cheryl Bartholic (Not present for Resolution Votes)
Mr. Robert Ferrentino
Mr. Michael Flynn
Dr. Virinder Moudgil
Mr. Robert Bowman (Via Teleconference)
Ms. Kristin Beltzer

Members Not Present:
Mr. Ronald Wisner
Dr. Glen Mroz

Ms. Anne Wohlfert called the meeting to order at 10:01 a.m.

I. Approval of Minutes of Thursday, August 2, 2018 Meeting.

Ms. Wohlfert presented the minutes of the August 2, 2018 meeting to the Board for approval. Dr. Virinder Moudgil, made a motion to approve the minutes, supported by Ms. Kristin Beltzer. The minutes were approved unanimously (7-0).

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 2018 enrollment period as of September 30, 2018, MET sold 1,596 contracts, representing \$30.6 million in prepaid tuition. The total contracts sold include 656 Pay-As-You-Go contracts. 2016 and 2017 PAYG contract prepaid tuition received during the 2017-2018 fiscal year is \$5.3 million. She stated that contracts sold is a little lower than last year. Last year MET sold 1,966 contracts, representing about \$39.6 million 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. He stated that Ms. Chen will present on MET I and he would present on MET II.

Ms. Chen provided an investment report as of September 30, 2018 stating that the MET I's market value was \$111.6 million as of September 30, 2018. 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 \$3.7 million. MET I's overall performance return of -0.6% is in line with an overfunded portfolio with the purpose of meeting the liquidity need of tuition withdrawals.

Woodrow Tyler provided an investment report as of September 30, 2018, stating that MET II's market value was \$964.8 million as of September 30, 2018. He stated that MET II portfolio is expected to earn investment income of approximately \$31.1 million over the next 12 months.

B. Presentation by Paul Wood and Ken Alberts of GRS

Mr. Paul Wood of GRS presented an update on the actuarial review of the financial position of MET and stated that the primary purpose of the actuarial soundness valuation is to measure the financial position of MET, which is performed annually. He stated that MET I actuarial surplus increased from \$41.8 million to \$49.9 million and is 180.9% funded. MET II actuarial surplus increased from \$136.6 million to a surplus of \$197.2 million and is 124.2% funded.

Mr. Ken Alberts presented on the September 30, 2018 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. Wood presented MET contract preliminary pricing recommendations for the 2018/2019 enrollment period. Mr. Wood recommended a 0.00% increase during the first half of the 2019 enrollment period and 3.00% during the second half of the 2019 enrollment for Four-Year Public College and a 0.00% increase during the first half of the 2019 enrollment period and 7.00% during the second half of the 2019 enrollment period for Community College Contracts.

Ms. Cheryl Bartholic left the meeting at 11:18AM before the resolution's votes.

C. 2019 MET Contract Prices - Resolution 2018-6

Ms. Lott presented the Resolution for the 2019 MET Contract Prices. Ms. Lott 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 6.00% for year one, 5.50% for year two, 5.00% for year three and 4.50% thereafter; c) the price increase for Full and Limited Benefit Contracts will be 0.00% during the first half of the 2019 enrollment period and 3.00% during the second half of the 2019 enrollment; and d) the price increase for Community College Contracts will be 0.00% during the first

half of the 2019 enrollment period and 7.00% during the second half of the 2019 enrollment period.

Ms. Lott recommended that the Board adopt Resolution 2018-6. Mr. Michael Flynn motioned to approve Resolution 2018-6 and was supported by Ms. Beltzer. The resolution was approved unanimously by a roll call vote, 6-0.

D. 2019 MET Charitable Contract Prices - Resolution 2018-7

Ms. Lott presented the Resolution for the 2019 MET Charitable Contract Prices. Ms. Lott 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 6.00% for year one, 5.50% for year two, 5.00% for year three and 4.50% thereafter; c) the price increase for Full and Limited Benefit Contracts will be 0.00% during the first half of the 2019 enrollment period and 3.00% during the second half of the 2019 enrollment; and d) the price increase for Community College Contracts will be 0.00% during the first half of the 2019 enrollment period and 7.00% during the second half of the 2019 enrollment period.

Ms. Lott recommended that the Board adopt Resolution 2018-7 Dr. Moudgil motioned to approve Resolution 2018-7 and was supported by Mr. Robert Ferrentino. The resolution was approved unanimously by a roll call vote, 6-0.

E. Contract for Marketing and Advertising - Resolution 2018-8

Ms. Lott presented Resolution 2018-8 Contract for Marketing and Advertising. Ms. Lott stated that the MET Board initially entered into a contract with Gud Marketing to provide marketing and advertising services on March 24, 2016. The contract was a three-year contract with two, one-year renewal options. The current contract expires April 7, 2019.

Ms. Lott stated that the Department of Technology, Management and Budget (DTMB) staff recommends exercising together the remaining two, one-year contract renewal options. The total proposed contract amount to exercise two, one-year contract renewal options is \$2,300,000 (\$1,100,000 year 1 and \$1,200,000 year 2).

Ms. Lott recommended the Board adopt Resolution 2018-8, Contract for Marketing and Advertising. Mr. Flynn motioned to approve Resolution 2018-8 and was supported by Ms. Beltzer. The resolution passed unanimously by a roll call vote, 6-0.

V. Policy and Program Issues

A. 2018-2019 MET Contract Enrollment Period - Resolution 2018-9

Ms. Lott presented Resolution 2018-9, 2018-2019 MET Contract Enrollment Period which proposes a 2019 contract enrollment period of December 1, 2018 to September 30, 2019.

Ms. Lott recommended the Board adopt Resolution 2018-9, 2018-2019 MET Contract Enrollment Period. Dr. Moudgil motioned to approve Resolution 2017-9 and was supported by Ms. Beltzer. The resolution passed unanimously by a roll call vote, 6-0

VI. Marketing and Public Relations

A. Presentation by Emmie Musser of Gud Marketing

Ms. Emmie Musser, Media Director for Gud Marketing presented on the activities and results of the 2018 marketing campaign with the overall goal to drive MET enrollment. As a result of the campaign, MET saw a 37% increase in Facebook followers and a 65% increase in engagements. She also reported 6,925 MET 30th anniversary sweepstakes entries.

Kristen Beltzer left the meeting at 11:55AM

B. Presentation by Roni Rucker Waters of Gud Marketing

Ms. Roni Rucker Waters gave a brief overview of the 2019 Marketing Plan for MET. Ms. Rucker Waters stated that they will continue to focus on high-impact seasonal campaigns to target audiences during peak seasonal time frames with historical spikes in contract enrollment.

VII. 2019 Board Meeting Schedule

The 2019 Board meeting schedule was presented to the Board. Ms. Wolfert stated that the next meeting is scheduled for February 14, 2019 at 10:00 a.m.

Ms. Wolfert suggested adjournment of the November 15, 2018 MET Board Meeting. Dr. Moudgil made a motion to adjourn the November 15, 2018 MET Board Meeting, supported by Mr. Flynn. The meeting adjourned at 12:19 p.m.

Minutes were approved on: _____

Chairman

Executive Director