



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 September 13, 2023, at 1:00 p.m. in the State Treasurers' Board Room, Richard H. Austin Building, Lansing, Michigan.

Members Present: Treasurer Rachael Eubanks  
Mr. Michael Flynn  
Mrs. Marlin Williams  
Mr. Ronald Wisner (Joined the Meeting at 1:24 p.m.)  
Dr. Richard Pappas  
Mr. Robert Bowman Via Teams (Joined the meeting at 1:13 p.m.)

Members Not Present: Dr. Philomena Mantella  
Mrs. Maddy Day

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

Changes to the Agenda  
A. None

### I. 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 June 30, 2023, MET sold 604 contracts which was down 2.4% from last year. At June 30, 2023 there were 604 contracts representing \$9,557,666 million in prepaid tuition. Additional contributions made to PAYG contracts from 12/1/2022 to 6/30/2023 totaled \$4,254,04110 in prepaid tuition.

Ms. Brewer also gave a summary of the Pricing and/or Equity Processing. 2,957 pricing update requests have been processed, including 57 postmarked after the September 30, 2022, deadline. Refunds totaling \$3,907,822.89 have been processed, the value of re-applied payments is \$1,975,135.99 and the number of re-applied credit hours is 2,223. The total value of refunded and re-applied payments is less than the \$6 million authorized at \$5,882,958.88, with \$117,041.12 in authorized funds remaining.

Robert Bowman joined the meeting at 1:13 p.m.

### II. Marketing and Public Relations

#### A. Presentation by Ms. Michelle Ntoko and Sara Williams of Gud Marketing

Ms. Michelle Ntoko presented the GUD Marketing Report, focusing on the 2023 Campaign highlights. Ms. Ntoko stated that 70% of all website traffic is coming from paid media with Snapchat as the top driver of visitors. Digital display ads provide high frequency and outperformed benchmarks by 130%. Print ads targeted to grandparents drove strong engagement as well with 29 QR code scans. Ms. Ntoko also stated that Age-based and Pay-As-You-Go messages drove higher click-throughs compared with

other benefits-focused messages such as Tax time and Holidays.

Ms. Sara Williams presented on 2024 Communications Approach which includes a layered marketing strategy of awareness + education + conversion for parents and grandparents with an increased focus on the education phase tactics to help answer common questions and conversion phase tactics to encourage enrollment.

Ronald Wiser joined the meeting at 1:24 p.m.

Dr. Stacy Young joined the meeting via Teams at 1:27 p.m. for her to be recognized for her contributions to the MET Board.

I. Approval of Minutes of Thursday, November 10, 2022, Meeting.

Ms. Eubanks presented the minutes of the Thursday, November 10, 2022, 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).

II. Public Comment

None

IV. Financial Issues

A. Presentation by Krasimir Yankov and Lewis Brody, Bureau of Investments

Mr. Krasimir Yankov provided a Market update stating that the financial markets rebounded in the first half of 2023 following a year of negative returns in 2022. He also stated that the top 7 tech stocks have accounted for most of the market returns in 1H 2023.

Mr. Lewis Brody provided an update on MET I and MET II. Mr. Brody stated the MET I's market value was \$94.5 million as of June 30, 2023. MET I's estimated income and dividends over the next twelve months is \$3.9 million.

Mr. Brody also provided an investment report stating that MET II's market value was \$951 million as of June 30, 2023. He stated that MET II's estimated income and equity dividends for the next 12 months is \$28.8 million.

B. Presentation by James Sparks of GRS

Mr. James Sparks presented on the Interim Update as of June 30, 2023, stating that the asset returns for the first three quarters of the year has been favorable for both MET I and MET II. Mr. Sparks stated that on a preliminary basis, the actual tuition increase is around 3.90% overall and is comparable to the expected increase rate of 4.50%. Other items that will impact the actual actuarial valuation results will be demographic changes & new contract sales as well as actuarial soundness assumptions.

Mr. Sparks presented recommendations for the 2023-24 actuarial valuation. Mr. Sparks recommends the Board assume tuition increases at 4.50% for all years for both MET I and MET II; assume investment rate of return for MET I of 3.65% and MET II of 5.50%. The MET I discount rate was calculated based on a 24-month average of the weighted yield to maturity of the MET I portfolio from July 2021 through June 2023. The method of setting this assumption is different than last year

but it is still intended to reduce year to year volatility of the discount rate. Based on information received from the Bureau of Investments, the discount rate is estimated to be 3.65%. The Actuary recommends that these assumptions be revisited before each valuation.

Mr. Sparks also presented on an increasing trend of adults and high schoolers near graduation, purchasing MET contracts and creating arbitrages by utilizing them immediately for benefits worth significantly more than the price they paid. These contracts are not being used as savings vehicles for college, but rather as a loophole to pay less for college. Treasurer Eubanks suggested the Finance Subcommittee discuss options for solutions and bring the options back to the Board.

C. Actuarial Soundness Assumptions - Resolution 2023-1

Ms. Brewer presented the Resolution 2023-1 for actuarial assumptions for soundness for MET I and MET II.

Mr. Flynn moved that the Board adopt Resolution 2023-1, Actuarial Assumptions for Soundness for MET I and MET II, supported by Dr. Pappas. The resolution passed unanimously by a roll call vote (6-0).

D. 2023-2024 Budget- Resolution 2023-2

Ms. Brewer gave a summary of the proposed fiscal year 2023-24 budget amount of \$6,343,933.00 represents .579% (57.9 basis points) of the total asset value of MET I and MET II as of June 30, 2023. As a point of reference, the MET policy allows up to 1.00% (100 basis points) to cover administrative costs.

Ms. Brewer stated there is a 6.8% increase in the proposed fiscal year 2023-24 budget (approximately \$404,369) as compared to the budget adopted November 10, 2022. The increase is a result of the marketing expenses and the addition of one Departmental Analyst in marketing.

Mrs. Marlin Williams moved that the Board adopt Resolution 2023-2, 2023-24 Budget, supported by Treasurer Rachel Eubanks. The resolution passed unanimously by a roll call vote (6-0).

V. Policy and Program Issues

A. 2024 MET Contracts – Resolution 2023-3

Ms. Brewer presented Resolution 2023-3, 2024 MET Contracts.

Dr. Pappas moved that the Board adopt Resolution 2023-3, 2024 MET Contracts, supported by Mrs. Williams. The resolution passed unanimously by a roll call vote (6-0).

B. 2024 MET Charitable Contracts - Resolution 2023-4

Ms. Brewer presented Resolution 2023-4, 2024 MET Charitable Contracts.

Mr. Flynn moved that the Board adopt Resolution 2023-4, 2024 MET Charitable Contracts, supported by Dr. Pappas. The resolution passed unanimously by a roll call vote (6-0).

C. 2023-2024 MET Contract Enrollment Period Resolution 2023-5

Ms. Brewer presented Resolution 2023-5, 2023-2024 MET Contract Enrollment Period which proposes a 2024 contract enrollment period of February 1, 2024, to January 31, 2025.

Mrs. Williams motioned to approve Resolution 2023-5, 2023-2024 MET Contract Enrollment Period, and was supported by Mr. Ronald Wisser. The resolution passed unanimously by a roll call vote (6-0).

D. Appreciation for Dr Stacy Young – Resolution 2023-6

Ms. Brewer presented Resolution 2023-6 2022-2023 Appreciation for Dr Stacy Young.

Dr. Pappas motioned to approve Resolution 2023-6 2022-2023 Appreciation for Dr Stacy Young, and was supported by Mr. Flynn. The resolution passed unanimously by a roll call vote (6-0).

VII. Next Meeting Date - November 9, 2023, at 1:00 p.m.

Treasurer Eubanks suggested adjournment of the September 13, 2023, MET Board Meeting. Dr. Pappas made a motion to adjourn the September 13, 2023, MET Board Meeting, supported by Mr. Ronald Wisser. The meeting adjourned by Ms. Eubanks at 3:03 p.m.

Minutes were approved on: 11/9/2023

  
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Chairman

  
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Executive Director