MD 529 Policy Holder Testimony (March 21, 2023): HB 1290

My name is Kirk Litton, we paid $109,000 in lump sum payments for THREE Prepaid College Trust policies for our children over 15 years ago. I'm both lucky & unlucky…. My oldest child exited the MD Prepaid Trust via a Rollover before the contact changes. She GOT what her contract called for… all our payments PLUS 100% of investment earnings on those payments. Her Rollover included $53,000 in earnings after 15 years in the Trust. She attends Clemson and her college future is secure. I am also UNLUCKY, because I left my 2nd and 3rd Child in the Prepaid Trust. And now all their investment earnings for all years before November 2021 have been removed, and replaced with a 0-1% interest rate that isn't stated anywhere in the new contracts NOR even associated with Rollover cash value calculations in the old contracts. So HOW are they allowed to use it?? They can't but they are. There is no appeal process, I've appealed several times over the last year and haven't heard one word. My younger 2 children have had over $75,000 stolen by retroactive earnings rate changes to their policies.

Let's Fix It!

STOP the manual recalculations, they are further cementing the problem that needs to be undone.

Authorize The Treasurer to immediately restore our Investment Earnings for years prior to November 2021. For simplification purposes, simply apply the 6% annual earnings rate to all contracts, which IS THE SAME RATE that would have been owed to all 30,000 policy holders via a Rollover or Refund at the time of the contract change in Summer 2021.

Wind Down The Trust. Stop accepting new policies immediately. We need no more injured parties. REMEMBER…The Trust is just OUR contributions PLUS OUR earnings. There are no taxpayer funds used.

Finally, what is the amount to MAKE US WHOLE? This figure was requested of the Executive Director by another committee over 60 days ago! This is NOT a hard question – just ask Intuition to provide the total of the December 2021 statements now, and add a year of earnings! We need to know liabilities.

As for assets, based on the 2022 Annual Report, the Trust has $1.2 Billion in cash and investments, with over $300 Million of that labeled as 'excess funds', and an additional $321 Million set aside in 2021 for expected accrued earnings. The other $600 Million is for future tuition and earnings obligations.

We believe that will more than cover making us whole.

Thank you.

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Additional points:

- NOT a “1 Statement issue”. Manual Rollover Calculations requested by policy holders always included both principle + all investment earnings. In line with Dec 2021 statements values. I have MD529 Staff Rollover calculations from Summer 2020 and September 2021 prior to contract changes showing full earnings.

- NOT an “Obvious Bank Statement Error”. Our annual statements never showed our interest and earnings calculations for 20 years, until they did in December 2021, and again do not in December 2022 ones they just sent out. Leaving us back in the darkness. So equivalent would be Bank Of America or Merrill Lynch only showing us what we put in, but never what we earned!

- NOT a new vendor INTUITION issue. They represent several plans across the country. They applied the 6% earnings rate to prior years <u>because that kept us whole</u>… and there was no other earnings rate stated in the contract that would make any sense to apply. They are literally using an interest rate found only in old contracts <u>but not associated</u> with cash value calculations.

- This is just INCOMPETENCE in implementing a contract change trying to combine 2 separate earnings calculations and Exits (Tuition OR Rollover) into 1 calculation; and applying new earnings terms beyond November 2021. In doing so retroactively changed the accrued earnings rates of years prior to November 2021… thus gutting our cash value & rollover benefits.

- In a March 3, 2023 email to all policyholders, MCP admits the following:

    - 1. Prior to the contract change, all contracts provided a “since inception investment earnings rate of return“ to all Rollovers/Refund calculations.

    - 2. The June 2021 Disclosure sent to all policyholders “caused confusion”. Why? Because it only had 2 earnings rates… “All contributions in prior to November 1, 2021 will earn 6% annually, compounded monthly, until withdrawn; AND any contributions received after November 1, 2021 will earn the 10-Year Treasury Note rate annually.” IF those are only 2 choices, what do you think every policyholder, GRS audit team, Intuition management firm, think would be applied to prior years? 6%! Of course.