

We are testifying to voice our deep concern about the decision of the Maryland Prepaid College Trust (MPCT) to recklessly change the contractually stipulated procedures for rollover calculations. This has completely erased the interest (amounting to about \$40,000 in interest earnings) that our accounts had accumulated over the past 14 years. We are shocked that the MPCT is trying to pass off this blatant breach of contract as a “miscalculation” and scared that the MPCT is currently preventing account holders from even accessing their principal investments! Our son will be starting his college applications in less than 2 years, we need a fast resolution. Please pass SB475 but change the due date for findings and recommendations to an earlier date – account holders need answers now!

Below is a full explanation of our situation:

When our son (now 15 years old) was born, we were living in Baltimore. To prepare for his future, we set up two accounts with the (MPCT), one through myself and one through my husband, to cover 2 years of university each. Both accounts were fully paid off as of 2009.

We opted for this investment option as a hedge against rising tuition costs and with the confidence that the Maryland Legislature was required to backfill any shortfalls in the Trust in the future.

We later moved from Maryland to New York for professional reasons, but we opted to retain our existing accounts with MPCT. We made this decision because the yearly account disclosures clearly indicated that we could always roll over our account to another qualified tuition program.

At the time we opened the accounts, the conditions for rollovers were described in the disclosure statements as follows:

**A Contract in existence for three years or more as measured from the first payment due date.** The transferable amount will equal the actual payments made to the Prepaid College Trust plus or minus 100% of the Trust Returns applied to the contract payments, less Operating Expenses and any Benefits used.

This specific language was last included in our 2020-2021 Disclosure Statement, page 7, Article VI: Rollovers and Refunds.

All documents leading up to and including the 2020-2021 Disclosure Statement (page 3, Article II: Definitions, §29) defined Trust Returns as follows:

**29. Trust Returns** means the since inception rate of return for the Prepaid College Trust. The date of inception is December 31, 1998 and the since inception rate of return is updated quarterly by the Prepaid College Trust's investment advisor. Trust Returns are used to calculate Rollover Distributions and refunds as described in Article VI of this Disclosure Statement.

Over the years, we carefully monitored the Trust Returns and determined that they were at least as favorable as the returns that we saw in the NY 529 College Saving plan that we had set up for our son's younger sibling. Therefore, we saw no reason to initiate a rollover before our son had settled on a college.

In August 2021, we received notifications from the Prepaid College Trust of significant changes to the administration of the Trust. Among other changes, the updated Disclosure Statement dated August 2021 notified us that Intuition College Savings Services, LLC (Intuition) was taking over as program manager and that there would be changes to the methodology of calculating earnings for minimum benefits, rollovers and refunds.

Specifically, the August 2021 document describing updates to the trust disclosure statement included the following language about rollovers (page 5, Article IV: Rollovers and Refunds):

**Article VI – Rollovers and Refunds (p. 10)**

In an effort to simplify the Benefits available under the MPCT and create an ease of understanding and use by Account Holders, one calculation will be used for the Minimum Benefit, rollovers and refunds. Contracts held less than 3 years will receive 50% of the earnings. Contracts held greater than 3 years will receive 100% of the earnings from the calculation.

**Earnings for Rollovers and Refunds**

**Accounts in existence on October 31, 2021:**

For Accounts in existence on October 31, 2021, contributions in your Account prior to November 1, 2021 will earn 6% on balances, compounded monthly, until benefits are withdrawn, or your Contract is terminated.

This indicates that in order to calculate the compound interest since the inception of our accounts, any future rollovers would no longer rely on the variable "Trust Returns" rate that was specified in the previous contracts but instead use a fixed rate of 6%.

Our December 31, 2021 MPCT Annual Statements were consistent with this interpretation and showed a FAFSA reporting value over \$38,000 for each of our two accounts. This is consistent with a 6% rate of compounded interest for a principal of about \$18,500 paid off by summer 2009.

With this confirmation, along with the expectation that our funds would continue to grow at 6%, compounded monthly, we felt assured that our early commitment to college savings had paid off and our son's education (he is expected to start college in 2025) was taken care of.

Therefore, we were surprised when reading our December 31, 2022 statements which no longer included a FAFSA value. We were even more concerned to see that the FAFSA values reported in our online account profiles had been reduced to the exact amounts that we had paid into the Trust in 2009. Without any warning and just 2.5 years before our son starts college, our funds for his education suddenly appeared to be less than half of what were led to expect - with zero interest whatsoever over 14 years of investment in the trust!

Upon further research, we discovered that the Trust had stopped rollovers and the crediting of any amount of interest to account holders. Most shocking, those seeking to use their funds to pay tuition were delayed and manual calculations were required. We have continued to follow this developing situation (including the numerous hearings and the resignation of the Maryland 529 Board Chair Peter Tsirigotis) in disbelief and deep concern.

Make no mistake, this is not a question of "miscalculations". From discussions with many other affected parents, we know that for decades, the MPCT completed rollovers exactly as described in our original contract (i.e., principal PLUS interest based on Trust Returns). What we're seeing now is either catastrophic mismanagement or a deliberate attempt to deprive account holders of their earned interest.

We request your immediate assistance for us and the thousands of other account holders who are in a similar position. Please pass this bill and advance the due date. MPCT account holders can't wait until June 2024 for answers.

Corinna Loeckenhoff