

February 21, 2023

## **Written testimony in support of SB0475: Workgroup on the Maryland 529 Prepaid College Trust Program**

My Dad was just 18 when he was drafted into World War II. After serving, he received his engineering degree from Ohio State, his Masters from UCLA, and worked for Lockheed for 35 years on the most highly classified projects. He dedicated his life to his country, his work, and his family. And when he passed away in 2010, he specified that the money he so carefully saved and left to his grandsons should be used for education. So, I invested it in the Maryland Prepaid College Trust.

Now my younger son is 18, and he just got accepted to Ohio State, his top choice and my Dad's alma mater. Unfortunately, thanks to Maryland 529, we don't know if he can afford to go – and he needs to decide by May. There is a \$30,000 discrepancy between his 2021 and 2022 Trust Account Statements. My older son, using his funds in-state, has a similar discrepancy.

**Despite Maryland 529's claims, the current "hold" on earnings is not a result of a calculation error. Rather, Maryland 529 changed contract terms to justify reduced earnings on our accounts.**

**Contracts from 1998-2021:** These contracts clearly state that account holders have the option of taking a Rollover distribution amount equal to all payments made to MPCT plus or minus 100% of Investment Earnings. This is what my son will need to do if he attends Ohio State. It is an option that has always been available, and that thousands of families have used.

**2019 Board vote and subsequent update to Article VI:** The Investment Earnings rate realized by MPCT was 6% annually. As of today, that figure is 5.3% due to a volatile 2022 stock market. Account holders believed that they would have access to these earnings on accounts established prior to 2021, especially after seeing these amounts reflected on their 2021 statements.

**Today:** Maryland 529's changes to that Article and the new calculations are *not* applying 100% of Investment Earnings. Suddenly, it is a rate equal to 1 Year Treasury Note minus 1.2% (effectively 0-1%) for all periods *before* November 2021 and a *new language* rate of 6% to periods *after* November 2021.

My sons' accounts were funded in 2011. 0-1% being applied for years prior to November 2021 totals tens of thousands less than the 5.3-6% investment earnings return realized and owed to us under the original Article VI. **Maryland 529 is holding money contractually owed to my children for their education and diverting attention by relentlessly referencing a "calculation error."**

**Maryland 529 has the ability to release earnings to account holders now.**

The MPCT is more than 130% overfunded. Per a 2003 disclosure, an overfunding greater than 130% allows distribution of excess funds. Maryland 529 can do this NOW... not whenever they claim their never-ending recalculations and audits are complete. We saw this distribution on our 2021 statements, and now it's gone. Where is this money? It does not belong to the trust or the state, so why isn't it available to the families who need to use it *now* to pay tuition or make life-changing financial decisions? Why does my current statement reflect only the principal I paid in more than ten years ago?

**This issue affects all 27,000 accounts, not the "small number" described by Maryland 529.**

The Maryland 529 claim that "this just affects a few hundred families" is laughable. They are referring only to the number of families that requested manual roll-over or refund calculations since the "calculation error" was publicized and earnings frozen. The total number of accounts that are or will be affected by this change in contract terms is, in fact, all of them. Many families don't even know this is happening, as Maryland 529 hasn't exactly been transparent or forthcoming in their accountholder communications.

Maryland 529 may have its lawyers and newly hired crisis management firm, but I, along with holders of 27,000 other MPCT accounts, have both personal and financial reasons to fight this and not back down.

We need a workgroup, an investigation and a resolution. Thank you for your support.

Regards,

Judy O'Connor

[Judyc9@gmail.com](mailto:Judyc9@gmail.com) | 301-335-8835

## Flexible tuition plans and payment options.

### TUITION PLANS

The Prepaid College Trust offers you a variety of tuition plans, which include payment of tuition and mandatory fees.

- **University Plan:** Purchase one semester or one, two, three, four, or five years at a four-year college or university.
- **Community College Plan:** *Our most affordable plan.* Purchase one or two years at a community college. However, this plan does not require your child to attend a community college. If he or she attends a four-year college, in or out of Maryland, this plan will pay up to that year's Weighted Average Tuition of Maryland's community colleges towards the tuition and mandatory fees at the selected college.
- **Two-Plus-Two Plan:** Purchase two years at a community college and two years at a four-year college.

### PAYMENT OPTIONS

The Prepaid College Trust also offers several payment options to help you find one to fit your budget.

- **Lump Sum:** A one-time payment.
- **Annual:** Equal yearly payments.
- **Five-Year Monthly:** 60 equal monthly payments.
- **Extended Monthly:** Equal monthly payments for a specified number of months that generally continue through July 1st of the projected year of the child's college enrollment (or initial year of eligible use for current 10th–12th graders).
- **Down Payments:** 25%, 40%, or 55% of the lump sum, with the remaining amount paid by either monthly or annual payments, as described above.

### Legislative Guarantee

In the event that the Trust ever experiences a financial shortfall, Maryland law requires the Governor to include funds in the State budget to allow the Trust to pay your full benefits. As with the entire State budget, the Maryland General Assembly has final approval.

“After receiving an inheritance from my parents, our first priority was to open Maryland Prepaid College Trust accounts for our two sons. **It is important to us to save now so they won't have to borrow in the future.**”

Judy O'Connor – Mother of Troy (left) and Ryan (right)

