

MD 529 Policy Holder Testimony (Feb 22, 2023)

Good Afternoon...

My name is Kirk Litton, and I flew here this morning from South Carolina to be with you today...

We paid \$109,000 in lump sum payments for THREE policies for our children over 15 years ago. When we moved to South Carolina in 2012, we read every page of our contract. We found that our contracts had 2 clear exit doors to the trust, NOT just 1 as the Board continues to misstate. DOOR #1 is the tuition guarantee benefit plus miniscule interest currently being used for the recalculations. DOOR #2 is the Rollover benefit calculation defined in Article VI or VII of every contract disclosure from 1998 to 2021 - that has been dismantled. That clause clearly states our Rollover Amount WILL EQUAL our payments made to MPCT plus 100% of Investment Earnings realized on our payments. So we kept them.

As my oldest child neared college, I requested a Manual Rollover calculation in 2020, the written statement received back on MD529 letterhead calculated by staff showed my principle PLUS \$80,000 in earnings. I requested another Manual Rollover calculation a year later in Summer 2021, the statement from MD529 now showed my principle PLUS \$90,000 in earnings.. a 6% gain year over year. I then called to execute a Rollover... the MD529 Staffer told me “you don’t want to do that, 2021 was a VERY good year and earnings haven’t been applied yet...wait a couple months”. So I did. The December 2021 statements came – 2021 earnings included, and I executed a Rollover of Madison’s policy of \$90,000 minus fees with \$53,000 in earnings applied. Exactly what my contract called for.

In early 2022, I called Intuition. The Agent told me “best to keep it... you are guaranteed 6% now...Mackenzie will have \$103,000 in 2025, Mason will have \$110,000 in 2028”. So I left it alone. BIG MISTAKE. These 2 accounts, valued as high as \$155,000, that had been calculated multiple times in multiple years and stood at a value over \$130,000 as of Oct 31, 2021by this contract change - new interpretation and recalculation formula...effectively ONE DAY LATER ...Nov 1, 2021.... were devalued by over \$75,000... to now basically my principle only.

This is a clear breach of Article IX, to do NO harm!

WE WANT WAS WRITTEN IN OUR CONTRACTS, WE WANT DOOR #2 - Rollover benefits restored - our investment earnings calculated, unfrozen, and distributed NOW!

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How do we fix it from here?

STOP the manual recalculations, they are further cementing the incorrect earnings benefits.

Option 1: Restore Original Contract language to Article VI/VII for all policy holders prior to Nov 2021

Option 2: Apply a 6% earnings rate, compounded annually, to all years prior to Nov 2021 with 3 little words “for prior years” added to the new Article VI language... which IS THE RATE that would have been owed if DOOR#2 was chosen by all 27,000 policy holders. And let new simplification to 10 Year Treasury rate for both calculations apply to only new funds/accounts after November 2021 since they weren’t promised 100% of investment earnings via Rollover as all policy holders from 1998-2021 were!

Option 3: Dissolve MPCT, pay out all principle and earnings to policy holders in an equitable way based on payments made, timing of those payments, and length in the program.

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
- NOT an “obvious Bank Statement error”. MPCT was never transparent to the actual Rollover or Refund value of the policies. Their annual statements only showed Principle Paid by policy holder, it never showed a calculation for earnings, interest, Rollover or FAFSA values in years 1998-2020 and now again on 2022 statements. So we never knew the true value unless we requested a manual calculation be performed. Only 2021 annual statements showed the calculation and applicable full value of each policy to policy holders. THAT is their dirty little secret, keeping 27,000 policy holders in the dark was a benefit to MPCT... because every policy holder that choose DOOR #1 forfeited their investment earnings to MPCT, every policy holder that chose DOOR#2 captured 100% of their investment earnings and MPCT was left with just the admin fees owed. BUT NOW all 27,000 policy holders now know their true values, and of course they want DOOR#2 It returned 5-6% annual earnings on our money. DOOR#1 returned 0-1%. A few thousand of us are impacted this year, a few thousand next year, a few thousand every year into the future will be unwittingly duped by relying on their original contracts, reinforced by the 2021 statements that “after 60 days without notice otherwise are considered correct and binding”. No such notice has still to this day come from MD529.... 400 days later.
- NOT a new vendor INTUITION issue. They calculated values correctly in Dec 2021 based on applying 6% annual earnings rate to funds in the program before 10/31/2021 for both years prior and in future, as stated by GRS in the 2021 and 2022 MP529 annual reports, and as calculated by MD529 staff for the prior 20 YEARS. And any reasonable person reading the new Article VI/VI Rollover language of “contributions in your account prior to November 1, 2021 will earn 6% compounded monthly until withdrawn” would take that to mean for both prior and future years, since there is no mention of an alternative rate for years prior stated. IF NOT 6%, what other rate would be applied? Based on recalculations being done... they are applying the 0-1% rates defined in Minimum Benefit... BUT at time of the change to the Rollover benefit the since inception rate realized by MPCT was 6%! (not 0-1%). THAT is what is owed.

- This is INCOMPETENCE –or- benefit of doubt of NEW LEADERSHIP not understanding original contract disclosures - digging their heels in and not reviewing it, analyzing it, and restoring the investment earnings owed by the contract PRIOR to their 2019 vote to change it. Those changes are breach of Article IX, if the 6% annual rate is NOT applied to years prior to November 2021.