

Written Testimony re: Senate Bill SB0475:

I purchased a 4-year university plan in December of 2004 for my infant daughter for a lump sum payment of \$34K. At that time the Maryland Prepaid College Trust (MPCT) marketing brochure indicated that 18 years later the cost of four years of tuition would be \$110K. Ten years later, in 2014, I was shocked to see that the actual average cost of four years of tuition was only \$37K. However, the plan allowed a rollover or refund of principle plus or minus 100% of the investment earnings or losses. As it was clear that the tuition prediction was grossly overstated I began to monitor the trust returns in order to calculate the value of my account. Currently my account should be valued at more than \$100K. My December 31, 2021 MPCT statement indicated a value of \$91K. I had 60 days to dispute this value or it would become considered correct and binding. MPCT asserts that my account value is now \$41K.

Mr. Savia likes to insist that the Maryland Prepaid College Trust (MPCT) is a defined benefit plan, not an investment plan. However, the MPCT always has had an investment return component via the rollover or refund option mentioned above. It's also a great investment plan for those who contributed just prior to 11/1/21. Those account holders are guaranteed a 6% earnings rate compounded monthly on their contributions until distribution (potentially 18 - 28 years depending on when their student begins college) regardless of trust investment performance. (Source: Maryland 529's Public Update as of January 6, 2023, Slide 12.) These account holders are being provided with the current trust surplus of \$355.6M that currently exists due to the grossly overestimated future tuition cost predictions and amazing investment earnings on my contribution (and others like me) made 18+ years ago. To shift the overage that the trust has accumulated over the 18 years I have been an account holder to account holders that enrolled many years after me **is not equitable, fair, or reasonable.**

Below is a comparison of how a new family 17 years later, in 2021, that takes the same path of saving for their infant child's future in MPCT as I did will fare compared to mine.

	My Family	New Family
Date Enrolled	12/2004	10/2021
Lump Sum Contribution	\$34K	\$34K
Earnings	<u>\$7K</u>	<u>\$66K</u>
Total Account Value	\$41K	\$100K
Years in Plan	18	18
Plan Surplus When Benefits Used	\$355.6M	Unknown - Year 2039

This clearly demonstrates the shift of the surplus that the trust has accumulated **using my contribution** over the 18 years I have been an account holder to account holders that enrolled many years after me.

We made a financial decision to contribute to the MPCT 18 years ago with the understanding that the state was providing a vehicle to save for an education for our daughter and that they would honor the contract, not pull the rug out from under us in the 11<sup>th</sup> hour. My daughter needs to commit to a college by May 1<sup>st</sup>, we have no idea what our budget is and the Maryland 529 staff and Board have no interest in resolving this. Our contract allowing rollovers with 100% of investment earnings that we relied upon for

the past 18 years needs to be honored. We need your help to make that happen immediately, the trust is overfunded by \$355.6M so the money is available to right this wrong.

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