



MARYLAND STATE TREASURER
Dereck E. Davis

August 21, 2023

**MARYLAND PREPAID COLLEGE TRUST (“MPCT”)
EARNINGS RATE DECISION**

FREQUENTLY ASKED QUESTIONS

The State Treasurer’s Office (“STO”) is providing this updated document in response to feedback received since the Treasurer’s earnings rate decision was announced on July 10, 2023. It is intended that this document will continue to be updated from time to time to provide additional clarity to account holders. Updates will be marked as “**NEW**.” As of the August 21, 2023 update, questions relating to the timeline for system automation and the process for requesting a manual calculation have been removed to reflect implementation progress.

The information provided is for general use and does not take into consideration individual circumstances. For advice, account holders and beneficiaries are encouraged to speak with a legal, tax and/or a financial advisor.

System Update Questions

1. NEW: What is the automated recordkeeping system?

The automated recordkeeping system is the Align529™ online portal that many account holders are familiar with which provides access to individual account information as well as the ability to perform certain financial transactions including the submission of benefit claims and requests for refunds and rollovers. The automated recordkeeping system can be accessed here: [Login or Register - Maryland 529 \(mdprepaidcollegetrust.com\)](https://mdprepaidcollegetrust.com). An account holder who has not already set up a profile will need to do so under the “Register for Online Access” portion of the linked page.

While access to certain functions has been limited for some time, the automated recordkeeping system has been updated to restore complete access and functionality. By logging into the automated recordkeeping system, account holders can now immediately see amounts available to beneficiaries, including accrued earnings. Account holders no longer need a manual

process to calculate their account value prior to the submission of a request and subsequent processing of a tuition benefit, refund or rollover.

2. NEW: Why is the amount shown in the automated recordkeeping system different than the amount in my manual calculation?

The account value shown in the automated recordkeeping system will differ from the account value provided in a manual calculation because manual calculations received over the last few weeks reflected account snapshots as of June 15, 2023. If an account holder made contributions or took distributions since June 15th, those transactions were not reflected in the manual calculation but are reflected in the account value shown in the automated recordkeeping system. In addition, earnings accrue to accounts on the 15th of each month. Account values shown in the automated recordkeeping system reflect earnings that posted to accounts on July 15th and August 15th.

3. NEW: Can I still request a manual calculation?

No. Because the manual process is no longer necessary to access benefits, effective August 18, 2023, the Maryland 529 program will no longer provide the Request for Account Support form or process new manual calculation requests. There is no need to complete a manual calculation as the automated recordkeeping system has been updated to provide account values in accordance with the terms set forth in the MPCT Disclosure Statement and to reflect Treasurer Davis' earnings rate decision.

4. NEW: I recently requested a manual calculation through the Request for Account Support form. Will I receive it?

No. Because the automated recordkeeping system now reflects Treasurer Davis' earnings rate decision and your updated account value, manual calculations will no longer be provided. Account holders now have immediate access to view amounts available to beneficiaries for tuition, rollovers, and refunds by logging into the automated recordkeeping system.

5. NEW: I requested a rollover or refund through the manual process. Will my request be honored?

The answer to this question will depend on what stage of the rollover and refund process your request is in at this time. In the interest of having requests for rollovers and refunds processed as quickly as possible for account holders, the Maryland 529 program will only process rollover and refund requests through the manual process for account holders who meet the following four criteria:

- Account holder has a beneficiary in need of a fall 2023 tuition payment;
- Account holder received a manual calculation following the Treasurer's Decision on July 10, 2023;
- Account holder requested a rollover or refund by e-mail to the Maryland 529 program on or before August 15, 2023; and

- Account holder completed and submitted all required documentation to Maryland 529 by e-mail on or before August 15, 2023.

The primary reason for stopping manual processes is to ensure that account holders' requests are processed as quickly as possible. The State Treasurer's Office will make every effort to ensure a smooth transition from the manual process for all account holders.

6. NEW: If I do not wish to continue the manual processing of my refund or rollover, what can I do?

If an account holder qualifies to continue with the manual rollover or refund process but wishes to stop the process, the account holder may opt out of the manual process by replying to the last encrypted e-mail from mpctassistance.md529@maryland.gov and requesting that the process be cancelled. The subject line of the reply e-mail should state "OPT OUT," and the body of the e-mail should include the message: "This e-mail confirms that I would like to cancel my manual refund or rollover request."

If an encrypted email from Maryland 529 is not accessible to the account holder, the opt out request as described above may be sent unencrypted to mpctassistance.md529@maryland.gov. Maryland 529 cautions account holders not to include full account numbers or other sensitive personal information in an unencrypted email.

7. NEW: Who should I contact if I encounter issues with my account in the automated recordkeeping system?

For assistance with your account, please e-mail mpctquestions@mdprepaidcollegetrust.com or call 888-4MD-GRAD (463-4723), option 2.

8. NEW: Who should I contact if I have questions about the transaction history reflected in my account value?

Based on substantial testing of the automated recordkeeping system, the State Treasurer's Office has every confidence that the transaction history is correct and the calculated account value is correct. If you have questions or concerns about your account value or the data used in the calculation, you may contact mpctquestions@mdprepaidcollegetrust.com or call 888-4MD-GRAD (463-4723), option 2.

9. NEW: What is the account value in the automated recordkeeping system based upon?

The calculation methodology in the automated recordkeeping system is consistent with the manual calculation process and the contract terms set forth in the MPCT Disclosure Statement. Prior to opening access to the updated automated recordkeeping system to account holders, the State Treasurer's Office ensured that substantial testing was completed to confirm the accuracy of account values in the automated recordkeeping system and to ensure that moving forward account values are calculated properly in accordance with the terms set forth in the Disclosure Statement and in accordance with the Treasurer's earnings rate decision.

10. NEW: Why is my Minimum Benefit value not displaying on the FAFSA page?

In the process of testing the accuracy of the automated recordkeeping system, it came to the State Treasurer's Office's attention that there were a small number of accounts that had legacy data issues. To ensure accurate account values are being provided to every account holder, a flag has been placed on these accounts so that these legacy data issues can be resolved.

The flags have been applied to protect the integrity of the system update and to enable the system update to go forward for the overwhelming majority of accounts that have been cleared of legacy data issues. We understand the inconvenience that this creates for the small number of affected account holders and will work with the MPCT Program Manager to resolve these issues as quickly as possible.

11. NEW: If I previously requested and received a tuition benefit claim, refund, or rollover during the time that earnings were inaccessible, can I now access those earnings?

Yes. The automated recordkeeping system now calculates available funds based upon the Treasurer's earnings rate decision. If, at the time your benefit claim, refund, or rollover was processed, you would have been eligible for a different value based on the Treasurer's earnings rate decision, your account will be adjusted to ensure you receive the benefits that you are entitled to based on the plan purchased and the MPCT Disclosure Statement.

Account holders who paid tuition via a full refund or rollover prior to updating of the automated recordkeeping system must submit a claim to receive their earnings. More information will be forthcoming regarding how to submit a claim.

12. NEW: How can I reach a person to get responses to questions about my account?

We understand that this process has been both long and complicated and account holders may need or want to talk to someone with questions about their account. With almost 33,000 account holders, we anticipate that there may be unavoidable delays. We will continue to work to answer account holder questions as quickly as possible and to improve your customer service experience and we ask for your continued patience as we do so.

For assistance with your account, please e-mail mpctquestions@mdprepaidcollegetrust.com or call 888-4MD-GRAD (463-4723), option 2. Please note that you may select the call back option as an alternative to waiting for a representative.

Earnings Rate Questions

- 1. What types of contributions are eligible to receive the 6% retroactive earnings rate?**

Contributions made prior to November 1, 2021 in accounts that were open and active in the automated recordkeeping system on November 1, 2021, are eligible for application of the retroactive earnings rate as set forth in the Treasurer's Decision Memorandum dated July 10, 2023 and the MPCT Disclosure Statement. For accounts that received a refund or rollover of their full account value on or after November 1, 2021, a claim will need to be submitted by account holders to receive the retroactive earnings applicable to the amount refunded or transferred to another qualified tuition program. More information will be forthcoming regarding how to submit a claim.

2. What is my earnings rate for contributions prior to November 1, 2021?

The earnings rate for contributions made prior to November 1, 2021 is 6%, compounded monthly, applied retroactively to the date of contribution and effective until the earlier of: (1) the date all earnings are set to zero as discussed in the Treasurer's Decision Memorandum dated July 10, 2023, (2) the date benefits are withdrawn, or (3) the date of contract termination. The ledger system is being implemented to properly account for contributions, earnings, and distributions.

3. What is my earnings rate for contributions made after November 1, 2021?

Contributions made on or after November 1, 2021, will accrue regular interest each year at an annual rate equal to the 10-year Treasury note rate, compounded monthly until the earlier of: (1) the date all earnings are set to zero as discussed in the Treasurer's Decision Memorandum dated July 10, 2023, (2) the date benefits are withdrawn, or (3) the date of contract termination. The Treasury note yield applicable to contributions will be updated annually each June 30 and that yield will apply from July 1st of that year until June 30th of the following year. The yield for the 10-year Treasury note will be sourced from the Board of Governors of the Federal Reserve System (US), 10-Year Treasury Constant Maturity Rate (DGS10), as retrieved from FRED, Federal Reserve Bank of St. Louis (<https://fred.stlouisfed.org/series/DGS10>). This is unchanged from the existing rate on these contributions.

4. Will my account continue to accrue earnings forever at 6%?

No. Contributions to the MCPT will no longer accrue earnings beginning on a date no later than July 1, 2024 as set forth in the Treasurer's Decision Memorandum dated July 10, 2023 and the MPCT Disclosure Statement. However, the earnings accrued up until that date will remain a part of the account balance until disbursed. At least 60 days prior to the date the earnings rate is set to zero, account holders will be notified of the effective date of that change. Account holders who do not wish to be bound by these new contract terms may request a rollover to another qualified state tuition program or a refund.

5. Why won't MPCT continue to pay out earnings at 6%?

There are three primary reasons why contributions will no longer accrue earnings on or after July 1, 2024. First, to ensure that the 6% retroactive earnings rate is affordable now, future benefits needed to be reduced. Second, the apparent original intent of the Maryland General Assembly in creating MPCT was to serve as a defined benefit plan, not an investment plan. Third, the change will align MPCT benefits with almost all the prepaid tuition plans offered by other

states. The State Treasurer's goal is that, moving forward, the benefit that MPCT pays out will be the defined benefit of prepaid tuition rather than a benefit that is driven by earnings on contributions.

6. Will I lose the earnings that my account accrues prior to the change to zero earnings?

No. While earnings will not continue to accrue, the earnings accrued to the date of the change will not disappear and will be included when calculating an account's value even after the change to zero earnings.

7. Is MPCT closing once the earnings rate switches to zero in 2024?

MPCT is closed to new enrollments and, at a date on or before July 1, 2024, will stop paying earnings on balances. Despite this change, MPCT will remain open and active for account holders and will function as a traditional defined benefit plan. Account holders who want to have future tuition costs covered will continue to receive the tuition benefits available to them under their contracts.

8. Why is my account value now different than the balance on the 2021 statement that I received?

There are several reasons why the calculated figure may be different. For example:

- More than 18 months have passed since the 2021 year-end statements were distributed; your current account value will reflect contributions, distributions and additional earnings during that time period;
- The current account value is the result of the implementation of a ledger system applying earnings on contributions and distributions from accounts as they occur; and
- In the methodology used to determine the 2021 year-end account values, all earnings stopped accruing once a beneficiary reached their Projected Enrollment Year. The implementation of the ledger system will allow earnings to continue to accrue until all amounts in the account have been exhausted.

9. I am an account holder and will not need tuition benefits for a few more years – what does this decision mean for me?

The Treasurer, in making the July 10, 2023 decision, focused on equity for all plan participants, affordability and sustainability for the Trust. The July 10, 2023 decision helps to ensure that benefits will be available in the future. Account holders can have confidence that the program will do what it was intended to do—provide future tuition benefits.

10. NEW: Does STO have a timeline for when account holders will get access to the new earnings?

As of August 21, 2023, access to earnings is available through the automated recordkeeping system which can be accessed here: [Login or Register - Maryland 529 \(mdprepaidcollegetrust.com\)](https://mdprepaidcollegetrust.com). An account holder who has not already set up a profile will need to do so under the “Register for Online Access” portion of the linked page.

If a benefit claim, refund, or rollover was processed and received prior to system automation on August 21, 2023, and you would have been eligible for a different value based on the Treasurer’s earnings rate decision, your account will be adjusted to ensure you receive the benefits that you are entitled to based on the plan purchased and the MPCT Disclosure Statement.

11. I am having a hard time reaching a live person to discuss the situation. What number should I be calling?

Inquiries regarding specific accounts should continue to be directed to existing Maryland 529 contacts, which can be found at <https://maryland529.com/About-Us/Contact-Us>.

Payment Questions

1. NEW: How do I pay my fall 2023 tuition bill?

Now that the automated recordkeeping system has been updated, tuition payments, refunds, and rollovers can all be processed online through the Align529™ online portal. Account holders will have access to their full balance online, including accrued earnings.

2. Can account holders on the payment plan stop payments without a penalty?

The Treasurer’s decision does not change the obligations of account holders under their respective contracts, including the obligation to make required payments.

As set forth in the MPCT Disclosure Statement, an account holder can terminate their contract and receive a refund in an amount determined pursuant to the terms of the contract. Please note that there are tax consequences associated with a decision to terminate your account. An account holder should consult with a tax professional regarding such consequences and review *Key Federal Tax Issues* and *Key State Tax Issues* on pages 20 and 22, respectively, of the MPCT Disclosure Statement.

3. How can I access the letter that Treasurer Davis offered to make available for families with beneficiaries in school out of state?

As promised, STO will make available a letter indicating that the State is resolving issues with MPCT and may need additional time beyond the date when fall tuition payments are due to provide funds to account holders with out of state beneficiaries. While this letter is intended to explain the issues associated with MPCT, it also makes clear that payments from MPCT may only

constitute a portion of the amount owed to the out of state institution. The letter is intended to convey that only funding invested in MPCT is affected by any potential processing delays.

To request the letter, please contact Intuition, the MPCT Program Manager, either by phone (888.4MD.GRAD (463.4723), Option 2) or e-mail (mpctquestions@mdprepaidcollegetrust.com). Once account verification is complete, the letter will be e-mailed to the account holder.

Portal Questions

- 1. NEW: Now that the automated recordkeeping system has been updated, will account holders be able to access more than the Weighted Average Tuition (WAT) amount per semester to pay qualified higher education expenses?**

Yes. Account holders are now able to access their full Minimum Benefit online through their account on the automated recordkeeping system.

- 2. NEW: How can I access or enroll in the automated recordkeeping system so I can see my updated account value?**

The automated recordkeeping system can be accessed here: [Login or Register - Maryland 529 \(mdprepaidcollegetrust.com\)](#). An account holder who has not already set up a profile will need to do so under the “Register for Online Access” portion of the linked webpage.

Refund and Rollover Questions

- 1. NEW: How do I request a refund or a rollover?**

Refunds and rollovers can now be processed directly through the automated recordkeeping system without the need for a manual calculation. Please visit: <https://maryland529.com/Account-Holders/Maryland-Prepaid-College-Trust/MPCT-Forms> to download the appropriate form.

To request a refund or rollover to another Qualified Tuition Program, please download and complete the Refund Request Form under the heading “Request a Refund for your Account”.

Completed forms can be uploaded via the automated recordkeeping system which can be accessed here: [Login or Register - Maryland 529 \(mdprepaidcollegetrust.com\)](#).

Please note that rollover distributions are permitted from MPCT to another qualified state tuition program subject to limitations imposed by the IRS. In particular, there is a restriction that permits only one rollover per beneficiary per 12-month period, as explained in the MPCT Disclosure Statement (see Article VI Rollovers and Refunds).

- 2. I received a rollover or refund of my full account value after November 1, 2021. What should I do to receive the difference in what I received versus what I would have received using the calculation set forth in the Treasurer’s Decision?**

For accounts that received a refund or rollover of their full account value on or after November 1, 2021, a claim will need to be submitted to receive the retroactive earnings applicable to the amount refunded or transferred to another qualified tuition program. More information will be forthcoming regarding how to submit a claim.

3. Can I rollover my account under MPCT to an account under the Maryland College Investment Plan or another qualified state tuition program?

Yes, a rollover distribution is permitted from MPCT to the Maryland College Investment Plan (“MCIP”) or another qualified state tuition program, subject to limitations imposed by the IRS. In particular, there is a restriction that permits only one rollover per beneficiary per 12-month period, as explained in the MPCT Disclosure Statement (see Article VI Rollovers and Refunds). Based on current IRS regulations, a rollover, however, will not be treated as a taxable distribution if either of the two scenarios below is satisfied.

- The beneficiary of the MPCT account and the MCIP account is the same, provided that only one tax-free rollover from a MPCT account to a MCIP account (or to any other 529 account) may occur in a 12-month period for the same beneficiary.
- The MCIP account beneficiary is a member of the family of the MPCT account beneficiary. Because the beneficiaries are different, the 12-month rule does not apply. However, gift taxes or generation-skipping transfer taxes may apply with respect to a rollover to a MCIP account with a different beneficiary unless the beneficiary is in the same or higher generation, so you should consult with a tax advisor when considering such a rollover.

4. Can I combine multiple MPCT accounts for the same beneficiary before completing a rollover?

From a federal law perspective, the accounts cannot be “merged.” Instead, the transfer of funds from one account to another is considered a rollover. In the following example, the same beneficiary has three MPCT accounts:

- Account 1 (Account Holder – Mom);
- Account 2 (Account Holder – Dad); and
- Account 3 (Account Holder – Dad).

In this situation, the rollover from Account 1 to Account 3 and the rollover from Account 2 to Account 3 would be considered two rollovers for one beneficiary. As such, if it occurs within a single 12-month period, one of the rollovers would be considered a taxable distribution. The same would be true if Account 1 and Account 2 were both rolled over to a MCIP account for that same beneficiary in a single 12-month period.

When considering a rollover, please be advised that [Chapter 113](#), the recently enacted reform legislation, requires an account holder to rollover funds as a condition of accepting a settlement.

Claims Questions

1. When will procedures for the claims process be released?

Information on the claims process will be released once STO has received a full actuarial analysis of the impact of the Treasurer's July 10, 2023 decision using data from the updated automated recordkeeping system. STO has made substantial progress in the creation of an online claims portal and claims management system as well as an account verification and payment process. While significant work has been done on the claims process, which will be handled by the State, work remains. The final claims procedures will be defined and communicated following completion of the full actuarial analysis using data from the updated automated recordkeeping system. STO will provide notice to account holders as soon as the claims procedures are finalized and the claims portal is open to the submission of claims.