



MARYLAND STATE TREASURER

Dereck E. Davis

NEWS RELEASE

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Treasurer Davis Announces Retroactive 6% Earnings Rate for Maryland Prepaid College Trust Account Holders

ANNAPOLIS—Maryland State Treasurer Dereck E. Davis today announced a retroactive 6% earnings rate for account holders of the Maryland Prepaid College Trust. The State Treasurer’s Office assumed responsibility for Maryland 529 and its programs on June 1, following passage of legislation by the Maryland General Assembly this past legislative session.

“During my reelection speech in February, I made a promise to help resolve the complex issues that have plagued Maryland Prepaid College Trust account holders for over a year,” said Treasurer Davis. “It is my hope that with today’s announcement, we can provide certainty and some sense of relief to account holders, their beneficiaries, and the public about the path forward.”

Based on the most available data to date, Treasurer Davis announced the following:

- For contributions in an account prior to November 1, 2021, the annual earnings rate will be 6% compounded monthly, applied retroactively to the date of contribution and effective until the earlier of: 1) the date the earnings rate is set to zero as described below, 2) the date benefits are withdrawn, or 3) the date of contract termination. This earnings rate decision only applies to accounts that were open and active in the automated recordkeeping system on November 1, 2021.
- For contributions that posted to an account on or after November 1, 2021, the annual earnings rate will be rate equal to the 10-year Treasury note, compounded

monthly, and effective until the earlier of 1) the date the earnings rate is set to zero as described below, 2) the date benefits are withdrawn, or 3) the date of contract termination.

- Beginning on a date no later than July 1, 2024, all contributions and all balances in an account will earn zero percent interest. Account holders will be notified at least 60 days prior to the date this change becomes effective.

Claims will not need to be filed to receive these earnings, as they will appear in accounts as soon as the system is updated. The decision to change the earnings rate to zero percent on a future date to be determined, but no later than July 1, 2024, is applicable to all accounts and is consistent with the approach of most jurisdictions that have a prepaid plan.

While the State Treasurer's Office has taken every possible step to prepare for the implementation of today's decision, additional time is needed to update the automated recording system to reflect the retroactive earnings rate. Following implementation of the update to the automated recordkeeping system, Treasurer Davis will determine the criteria for a claims process. Priority will be given to account holders who have beneficiaries attending school in the fall.

Additionally, Treasurer Davis has communicated with leadership overseeing every in-state institution, private and public, to request patience in the event of a delay in the processing of payments. Next week, a letter for account holders to provide out-of-state institutions seeking the same consideration will be available upon request.

During the 2023 Legislative Session, Treasurer Davis attended every hearing related to the transition of Maryland 529 to the State Treasurer's Office. Following its passage, he established md529@treasurer.state.md.us to address general inquiries and concerns. In May, Treasurer Davis also requested additional testimony from account holders, which yielded nearly 200 emails. Additionally, on May 25, Treasurer Davis held a listening session for account holders of all Maryland 529 programs – Maryland Prepaid College Trust, Maryland College Investment Plan, and Maryland ABLE.

“This decision balances my fiduciary responsibilities and the needs of the account holders,” said Treasurer Davis. “While our work is far from over, I appreciate the continued patience of the account holders, as well as the hard work of my staff throughout this process. I remain committed to fully restoring confidence in Maryland 529 and its mission of helping families save for the future.”

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