



OFFICE OF THE STATE TREASURER

LYNN FITCH

TREASURER

March 9, 2016

The Honorable Tate Reeves
Lieutenant Governor
MS State Capitol, Room 316

The Honorable Phillip Gunn
Speaker of the House
MS State Capitol, Room 306

Dear Lieutenant Governor Reeves and Speaker Gunn:

On behalf of the College Savings Plans of Mississippi Board of Directors, I am writing to request a special appropriation of \$12,766,291 for the Mississippi Prepaid Affordable College Tuition Program (MPACT) for Fiscal Year 2017.

In 2014, as part of a restructuring to address serious issues with the long-term sustainability of MPACT, the Board created and approved the current MPACT funding policy. The Board established a funding target of 100% for Legacy contracts, or those existing before the restructuring, and 115% for Horizon contracts, or those created after reopening enrollment to the program.

The Board is happy to report that the Horizon contracts have met the funding target of 115%. Moving forward, we are optimistic that we can continue to meet our goal of being cost-neutral to Mississippi taxpayers and financially sound for college savers.

However, the Legacy Program is still underfunded and needs the immediate attention of the Legislature and state leaders. Pursuant to the MPACT funding policy, in any year the funded status falls below the funding targets, the Board will request 10% of the unfunded amount as a special appropriation from the legislature. With the Legacy Program at 73.2% and a liability of \$127.7 million, the Board is requesting a 10% cash infusion of \$12,766,291.

As noted in the attached resolution and accompanying charts, the Legacy Plan is projected to be insolvent by year 2025 if all current assumptions are met and the Legislature fails to provide the needed cash infusion. As MPACT is guaranteed by the full faith and credit of the State of Mississippi, putting off this cash infusion, as the legislature has in past years, is merely kicking the can down the road. The taxpayers of this great state will ultimately pay the bill.

Again, the Board is optimistic that the changes put in place make MPACT a more financially sound program moving forward. Unfunded liabilities like the one the Legacy Program is currently experiencing should be a thing of the past. But, we must address the liability that already exists.

The Board needs the commitment of the Legislature and our state leaders to fully restore the Legacy Program's trust fund and provide the confidence needed to continue to enroll program participants.

In addition to the Board's resolution, I am also attaching the actuary report presented at the Board's February 23rd meeting that details the continuing funding issues in the Legacy Program. If you have any questions or feedback, please do not hesitate to contact me, Deputy Treasurer Laura Jackson (laura.jackson@treasury.ms.gov), or Assistant Treasurer for College Savings Plans and Policy Emelia Nordan (emelia.nordan@treasury.ms.gov) at 601-359-3600.

The Board greatly appreciates your immediate attention to this urgent matter and looks forward to your response.

Sincerely,



Lynn Fitch
Treasurer
State of Mississippi

Chair
Board of Directors of the College
Savings Plans of Mississippi

Enclosures: Resolution and accompanying charts
2015 Actuary Report

CC: Honorable Phil Bryant, Governor of the State of Mississippi
Honorable Herb Frierson, Chairman of the House Appropriations Committee
Honorable Mac Huddleston, Vice Chairman of the House Appropriations Committee
Honorable Nolan Mettetal, Chairman of Universities and Colleges Committee
Honorable Eugene S. Clarke, Chairman of the Senate Appropriations Committee
Honorable W. Briggs Hopson III, Vice Chairman of the Senate Appropriations Committee
Honorable Gray Tollison, Chairman of Education Committee

STATE OF MISSISSIPPI

College Savings Plans of Mississippi Board of Directors

A Resolution

WHEREAS, the Mississippi Legislature created the Mississippi Prepaid Affordable College Tuition Program (MPACT) in 1996 to assist Mississippians in saving for the tuition costs associated with a college education, encouraging and fostering higher education in the state of Mississippi;

WHEREAS, the College Savings Plans of Mississippi Board of Directors deferred new enrollments in the Program in 2012 and commissioned an actuarial audit of the program to ensure the actuarial soundness of the Mississippi Prepaid Affordable College Tuition Program's trust fund;

WHEREAS, the actuarial audit revealed concerns within the actuarial assumptions and methods historically used by the Mississippi Prepaid Affordable College Tuition Program;

WHEREAS, the College Savings Plans of Mississippi Board of Directors unanimously voted to reopen MPACT to new enrollment on October 1, 2014, incorporating an updated and more accurate pricing structure, contract terms, and program risk assumptions;

WHEREAS, the College Savings Plans of Mississippi Board of Directors reopened MPACT enrollment with the understanding that the unfunded liability attributable to existing Legacy contracts will not be paid by future contract purchases and that the pricing of future Horizon contracts will be reflective of expected costs for each participant purchasing a new contract with a reserve for adverse experience;

WHEREAS, the College Savings Plans of Mississippi Board of Directors has established a funding target of 100% for the Legacy program and a funding target of 115% for the Horizon program;

WHEREAS, the College Savings Plans of Mississippi Board of Directors adopted a funding policy that states that in any year that the funded status falls below the funding target for Legacy contracts, the MPACT Board will request 10% of the unfunded amount as a special appropriation from the Legislature; if the Legacy program is projected to be insolvent in less than five years, the Board will increase the appropriation request to 20%;

WHEREAS, as of June 30, 2015, the Horizon Program had a funded status of 115.6%, with a liability to the State of Mississippi of zero dollars for contracts sold during enrollment years 2014;

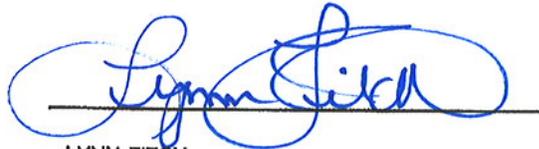
WHEREAS, as of June 30, 2015, the Legacy Program had a funded status of 73.2%, with a liability to the State of Mississippi of one hundred twenty seven million, seven hundred thousand dollars (\$127.7M) for contracts sold between calendar years 1997 and 2011;

WHEREAS, the Legacy Plan is projected to be insolvent by year 2025 if all assumptions are met and no cash infusion from the legislature is received; and

WHEREAS, the State must make all participants in the Program whole by providing funding for all participants' college tuition needs, as such obligations are guaranteed by the full faith and credit of the state of Mississippi:

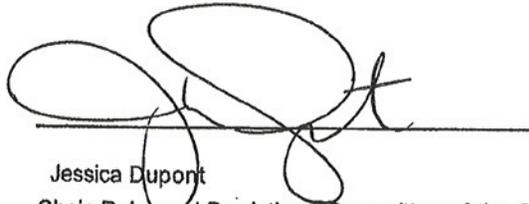
NOW, THEREFORE BE IT RESOLVED, that the College Savings Plans of Mississippi Board of Directors urges the Mississippi Senate and the Mississippi House of Representatives to appropriate 10% of the unfunded liability, or twelve million, seven hundred sixty six thousand, two hundred ninety one dollars (\$12,766,291), for cash infusion into the Mississippi Prepaid Affordable College Tuition Program for Fiscal Year 2017.

WITNESS the signature of the College Savings Plans of Mississippi Board of Directors by its duly authorized representatives the 23rd day of February, 2016.



LYNN FITCH

Chair, College Savings Plans of Mississippi Board of Directors



Jessica Dupont

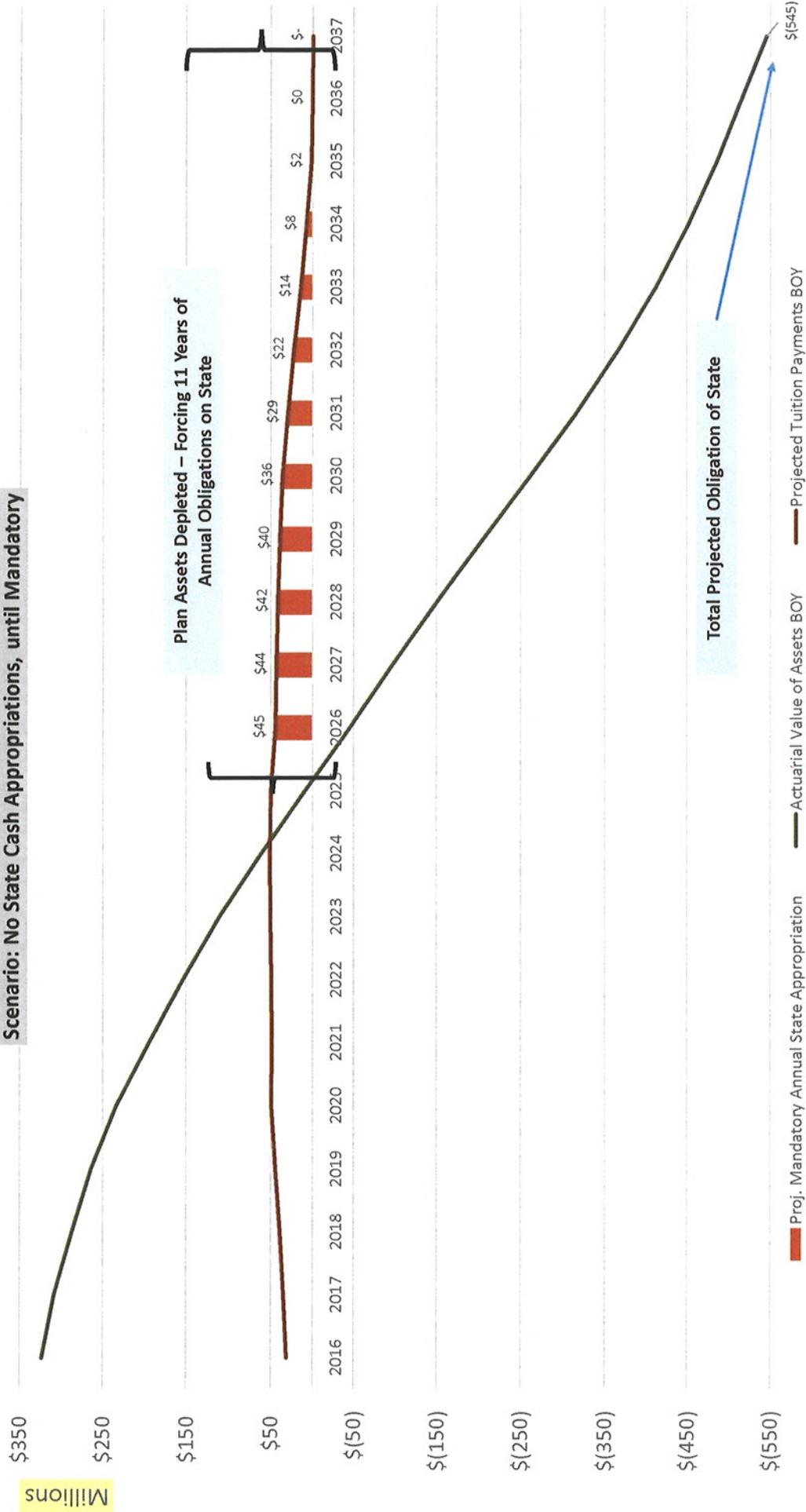
Chair, Rules and Regulations Committee of the College Savings Plans of Mississippi Board of Directors



Len Blanton

Chair, Investment Committee of the College Savings Plans of Mississippi Board of Directors

**MS PrePaid Tuition Plan (MPACT: Legacy)
 Projection as of June 30, 2015
 Scenario: No State Cash Appropriations, until Mandatory**



Plan Assets Depleted - Forcing 11 Years of Annual Obligations on State

Total Projected Obligation of State

Proj. Mandatory Annual State Appropriation Actuarial Value of Assets BOY Projected Tuition Payments BOY

	Actuarial Value of Assets BOY	Projected Tuition Payments BOY	Proj. Mandatory Annual State Appropriation	Proj. Admin Expenses Plus Cash Contributions	Proj. Contract Payments BOY
2016	\$ 323,856,851	\$ 31,588,264	\$ -	\$ 1,579,413	\$ 5,478,771
2017	\$ 308,451,282	\$ 35,409,836	\$ -	\$ 1,770,492	\$ 4,848,765
2018	\$ 287,250,284	\$ 39,444,624	\$ -	\$ 1,972,231	\$ 4,145,413
2019	\$ 264,352,626	\$ 44,761,799	\$ -	\$ 2,238,090	\$ 3,604,477
2020	\$ 233,662,253	\$ 49,718,367	\$ -	\$ 2,485,918	\$ 3,050,470
2021	\$ 195,117,673	\$ 49,046,053	\$ -	\$ 2,452,303	\$ 2,469,486
2022	\$ 154,488,909	\$ 49,535,913	\$ -	\$ 2,476,796	\$ 1,922,731
2023	\$ 110,401,870	\$ 50,931,842	\$ -	\$ 2,546,592	\$ 1,470,497
2024	\$ 61,751,583	\$ 51,434,399	\$ -	\$ 2,571,720	\$ 1,163,988
2025	\$ 9,421,746	\$ 50,191,736	\$ -	\$ 2,509,587	\$ 869,141
2026	\$ (44,849,035)	\$ 44,878,933	\$ 44,878,933	\$ 2,243,947	\$ 674,330
2027	\$ (96,547,196)	\$ 43,689,337	\$ 43,689,337	\$ 2,184,467	\$ 496,406
2028	\$ (150,085,537)	\$ 41,865,788	\$ 41,865,788	\$ 2,093,289	\$ 320,406
2029	\$ (204,863,350)	\$ 39,653,590	\$ 39,653,590	\$ 1,982,679	\$ 187,436
2030	\$ (260,475,134)	\$ 36,241,935	\$ 36,241,935	\$ 1,812,097	\$ 75,983
2031	\$ (315,614,241)	\$ 29,263,709	\$ 29,263,709	\$ 1,463,185	\$ 31,092
2032	\$ (366,222,871)	\$ 22,222,598	\$ 22,222,598	\$ 1,111,130	\$ 15,192
2033	\$ (411,940,038)	\$ 14,248,594	\$ 14,248,594	\$ 712,430	\$ 1,085
2034	\$ (451,446,725)	\$ 7,625,049	\$ 7,625,049	\$ 381,252	\$ -
2035	\$ (485,871,576)	\$ 1,525,786	\$ 1,525,786	\$ 76,289	\$ -
2036	\$ (515,503,387)	\$ 302,672	\$ 302,672	\$ 15,134	\$ -
2037	\$ (545,480,911)	\$ -	\$ -	\$ -	\$ -