

COLLEGE INVESTMENT PLAN INCENTIVE CONCEPT

December 10, 2019

Plans Management Board



Colleen C. Davis
State Treasurer

DE529 MATCH PLAN

- Background
- Financial Impact of Matching contributions
- OST Recommendation
- Appendix – Administrative Fund



BACKGROUND – 529 INCENTIVE CAMPAIGNS

At the September Meeting:

- OST presented a matching contribution plan as well as a scholarship plan concept.
- Board discussed:
 1. How each type of concept fit into the DE529 Plan's goals (participation and readiness);
 2. The resources needed to facilitate the incentive plan concept.
- Board instructed OST to research the potential financial impact of adding a contribution match to DE529.



MATCHING PROGRAMS NATIONWIDE

State	Resident Requirement	Hard Dollar Match	Means Test	Targeted to new accounts only	Targeted to babies	Auto bonus
California	Yes	\$200	Yes	Yes	No	\$25
Connecticut	No	\$100	No	Yes	Yes	\$150
Maine	No	\$200	No	Yes	No	\$100
Maryland	Yes	\$25-\$500	Yes	Yes	No	No
Oregon	Yes	\$25	No	Yes	Yes	No
Rhode Island	Yes	\$100	No	Yes	Yes	No
West Virginia	Yes	\$100	No	Yes	Yes	No



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DE 529 MATCH CAMPAIGN FINANCIAL IMPACT

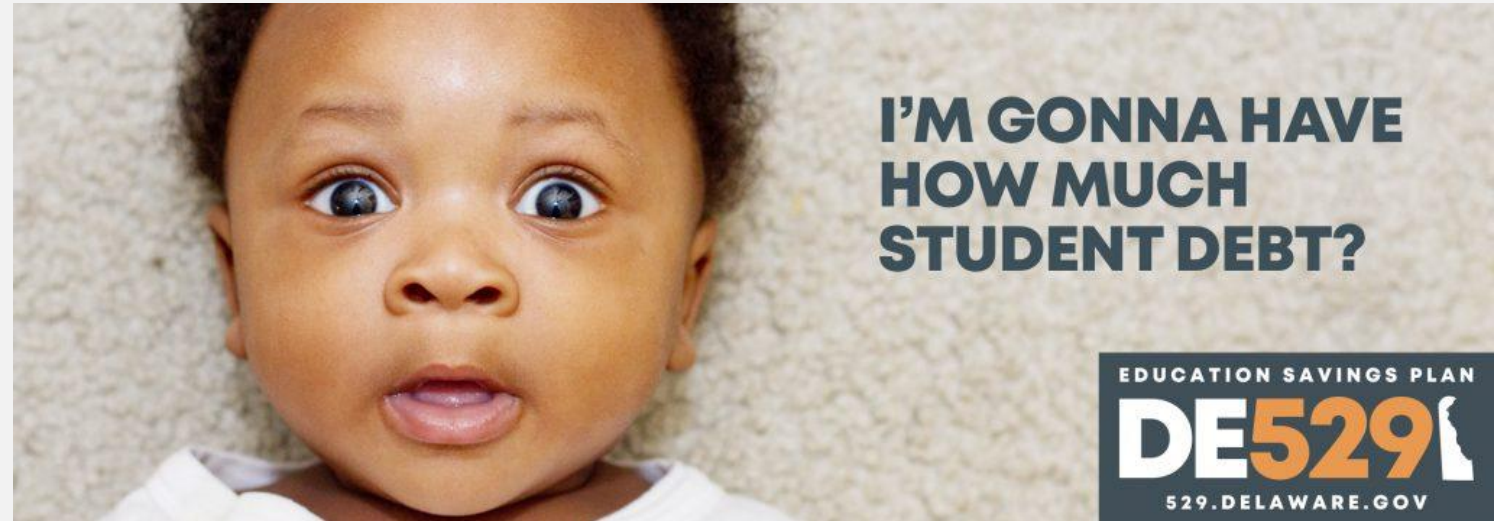
Match Type*	2018 Eligible Accounts	\$50 Match	\$100 Match	\$250 Match
All DE529 Accounts that contribute = or > \$100	13,193	\$651,297	\$1,302,594	\$3,298,250
All new Delaware DE529 accounts = or >\$100	1,011	\$50,500	\$101,100	\$252,750
All new Delaware DE529 accounts = or >\$100 and have a beneficiary < 1 year old	201	\$10,050	\$20,100	\$50,250
Maximum Additional automatic contribution match for Delaware beneficiaries < 1 year old*	201	\$10,050	\$20,100	\$50,250
* The program match would not be subject to a means test.				
** In 2018 only 45% of all accounts had two or more contributions.				



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MATCH RECOMMENDATION

- Build on the baby activation campaign by focusing on new DE529 accounts with a Delaware beneficiary less than one year old.
- Start match campaign as a pilot program for plan year 2020 with a budget of \$40,000. Initial funds can be earmarked from the administrative account.
- After measuring the match plan's success, consider setting aside future year's funding via an endowment account.
- Launch the match campaign on "529 Day!" May 29th, 2020



APPENDIX



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College Investment Plan – Administrative Fund

Background

Collects monthly revenue from administrative fee (approximately \$20-25k per month)

Administrative fund balance accrued over several years prior to 2016 transition to OST

Account balance as of December 31, 2018 was \$1.7 million

Plan budget for 2019 was \$404k (salaries, legal, audit, marketing, investment consultant, etc)

Senate Bill 143 Signed by Governor Carney in July states:

“The Board may authorize the use of administrative fees from the Plan and Program to defray reasonable expenses of administering each Plan and Program, including marketing expenses, and to fund scholarship, match, or promotional programs as the Board, in its discretion, may establish.”

Fund Allocation

Future Admin Fees



Annual Budget \$404k

Marketing (ABC) \$155k

Budget Reserve \$450k

Endowment Fund
\$750k



Endowment Earnings
to Fund New Program



4% would yield
\$30,000 in annual
awards or incentives



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