

COLLEGE INVESTMENT PLAN PROGRAM UPDATE

September 4, 2019

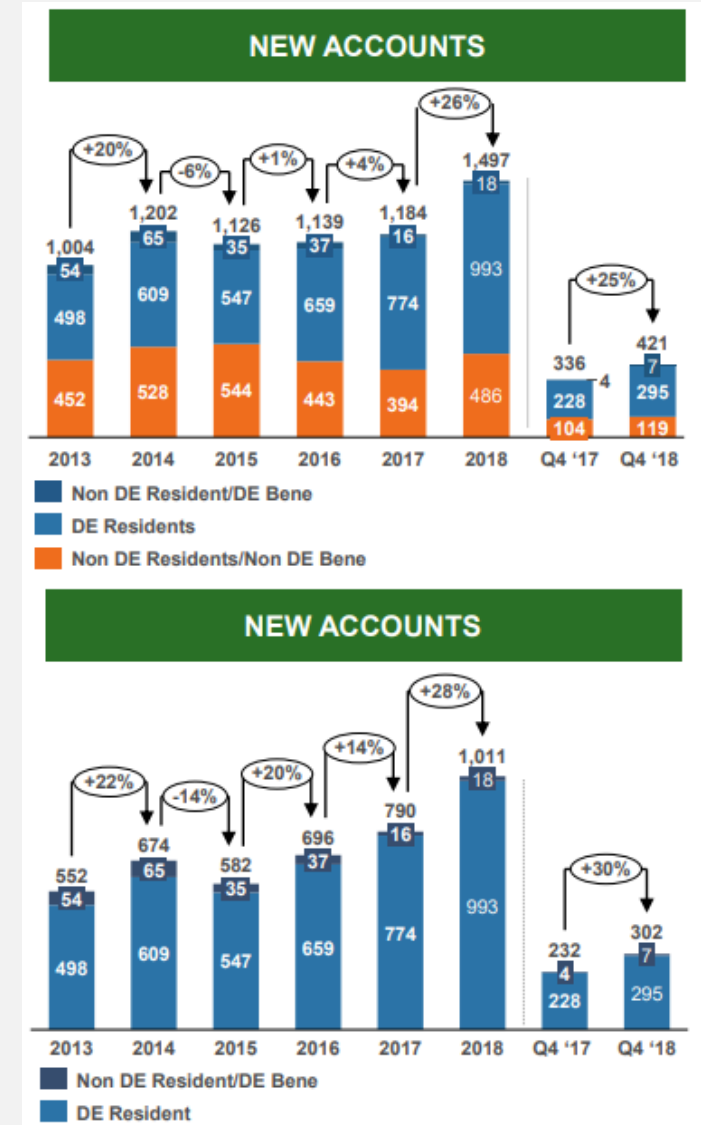
Plans Management Board



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State Treasurer

CURRENT ENVIRONMENT

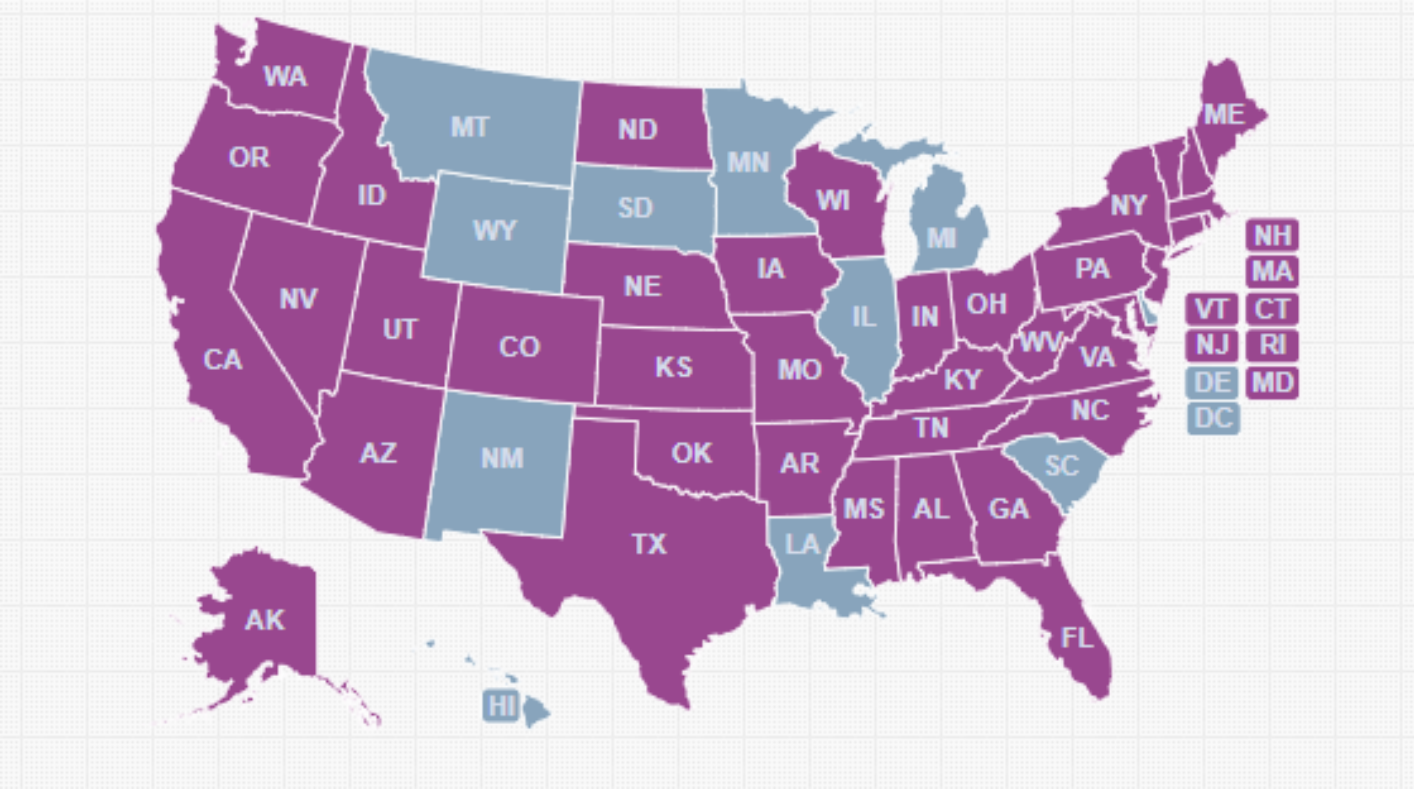
- New accounts per year have grown 33% since 2013
- First half of 2019 lagged behind first half of 2018
- New accounts by Delaware residents has been growing year over year
- 67% of new accounts are opened by a Delaware resident or for a Delaware beneficiary
- 38% of Delaware parents are aware of 529 accounts as a method for saving for college
- \$51.7 million in contributions in 2018 with \$4.8 or 9% of contributions coming from new accounts



Fidelity presentation to the Plans Management Board- March 2019

https://simbli.eboardsolutions.com/SB_Meetings/ViewMeeting.aspx?S=190006&MID=2033

State 529 Plans Offering Scholarship or Incentive Programs



■ State 529 Plans that currently offer a scholarship, matching or sweepstakes program

Wyoming terminated 529 plan and partnered with Colorado



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What type of program is right for Delaware?



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SCHOLARSHIP PROGRAM

- Create an endowment fund within the trust
- Seed endowment fund with \$750,000 from administrative fund
- Utilize earnings from endowment to create program
- Four percent return would generate \$30,000
- Create six \$5,000 or twelve \$2,500 scholarships each year
- Set criteria for eligibility
- Market program to help promote the Delaware College Investment Plan
- Manage application, review, and selection process
- Payment made directly to the institution

Pros:

- Significant impact to qualified students in need.
- Program would be self-sustaining with annual awards generated from endowment

Cons:

- Limited exposure impact for program
- OST resources needed to review applications
- Scholarship awards are removed from plan and trust assets

INCENTIVE PROGRAM

- Create an endowment fund within the trust
- Seed endowment with \$750,000 from administrative fund
- Utilize earnings from endowment to create program
- Four percent return would generate \$30,000
- Development a program that focuses on babies less than one year old
- Account owners or beneficiaries must be Delaware residents
- \$50 incentive to open an account
- \$100 incentive if account set up with monthly auto-deposit with a minimum of \$25

Pros:

- Generates new accounts
- Increases contributions
- Focus on younger beneficiaries
- Ease of administration for OST
- Funds remain within the plan

Cons:

- Participants for auto-deposit
- Potential to generate small balance accounts
- Negative market returns could limit incentive funds
- Money is a gift contribution into account and could be used for K-12 tuition expenses

APPENDIX



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College Investment Plan – Timeline of Strategic Initiatives

2016

Plans Management Board Created/ College Plan Transitions to OST (July)
Morningstar upgraded plan to “Bronze” ranking (October)

2017

Eligible expenses now include up to \$10,000 per year in K-12 tuition expenses (January)
Delaware Children’s Museum Legacy Agreement Renegotiated (July)
Modification to Fidelity Agreement extends term from 2018 to June 2021 (October)
Redeploy Fidelity marketing budget to support regional events (2018)

2018

Redeploy Fidelity marketing budget to support regional events and sponsorships (January)
Investment Committee college plan reporting package revisions (March)
Amendment of 529 Plan Trust to include an administrative fund (March)
Fidelity strategic planning proposal and Board strategy discussions (March - September)
Creative concept development with Aloysius Butler & Clark (September)
Cammack Agreement as Investment Consultant for 529 Plan (December)



College Investment Plan – Timeline of Strategic Initiatives (continued)

2019

Strategic Plan for the College Investment Plan (March)

Approval of additional marketing expenditure for Aloysius Butler & Clark Campaign (June)

Senate Bill 143 Signed by Governor Carney (July)

Presentation of Scholarship and Incentive Concepts (September)

RFP for Investment Consultant for Plans (September – December)

2020

Local marketing and promotional campaign by Aloysius Butler & Clark

RFP for College Investment Plan



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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Estimated Cost of an Incentive Campaign

Plan year 2019 as of June 30th		
45% of accounts had two or more contributions		
96 accounts have been opened for beneficiaries <1 year old		
*Plan Year 2018		
New accounts	1497	
DE residents / beneficiaries	1011	67.54%
Accounts for beneficiaries < 1 year old	201	19.88%
Estimated cost based on 2018 data		
Estimated new accounts for beneficiaries < 1 year old at \$50 per account	200	\$10,000.00
Maximum amount needed to fund automatic contribution gift of \$100	200	\$20,000.00
Total amount needed to fund incentive campaign		\$30,000.00
* Fidelity quarterly report to PMB investment committee		



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State Examples

ScholarShare 529
California

The 2019 Matching Grant Program offers a dollar-for-dollar match contribution of up to \$200 on new accounts. Families that establish a monthly automatic contribution plan of \$25 or more are eligible for a \$25 bonus. Eligible parents/guardians must be California residents at enrollment, have a valid social security number or a federal tax ID number, and have an adjusted gross annual income of \$75,000 or less.

[Plan Details](#)

Connecticut Higher Education Trust (CHET)
Connecticut

The CHET Baby Scholars program provides \$100 to families that open a 529 college savings account by their child's first birthday or within the first year after an adoption. Families that save an additional \$150 in the first four years will receive a state match of \$150, for a total of \$250 in state funds.

[Plan Details](#)

Learning Quest 529 Education Savings Program (Direct-sold)
Kansas

The Kansas Investments Developing Scholars (K.I.D.S.) Matching Grant Program was developed for Kansas residents with incomes less than 200% of the federal poverty level. The State of Kansas will match the first \$600 that Account Owners contribute to a Learning Quest Advisor account for each beneficiary eligible year of eligibility. Applications are limited to 1200 per year and are processed on a first-come first-served basis. Applications and contributions must be received by December 31 each year.

[Enroll Now](#)

NextGen 529 -- Client Select Series
Maine

New Maine accounts may be eligible to receive a \$200 Initial Matching Grant when the account is opened with at least \$25 (one grant per eligible beneficiary, no income limitations). The NextStep Matching Grant provides a 50% match on contributions up to a \$300 grant per year (one grant per eligible beneficiary, no income limitations). A \$100 Automated Funding Grant is available for accounts that make six consecutive contributions, no less frequently than quarterly, through an automated funding option (one grant per account, no income limitations). Separately, if a beneficiary is eligible for the \$500 Harold Alford College Challenge Grant, the initial contribution is waived when a NextGen account is opened. Grants for Maine residents may be used on behalf of the beneficiary at an eligible institution of higher education only.

[Plan Details](#)

Maryland 529 -- Maryland Senator Edward J. Kasemeyer College Investment Plan
Maryland

Individuals who open or have opened a new Maryland 529 -- College Investment Plan after December 31, 2016, file an application between January 1 and May 31 and make at least the minimum contribution to the account, may receive a \$250 or \$500 contribution by the state. To be eligible, the beneficiary must be a Maryland resident. For account holders with Maryland taxable income of less than \$87,500 (if filing state taxes for an individual) or less than \$125,000 (for a married couple filing a joint state tax return) the state would contribute \$500 per beneficiary. For account holders with Maryland taxable income of at least \$87,500 but no greater than \$112,500 for an individual or at least \$125,000 but no greater than \$175,000 for a married couple filing a joint return the state would contribute \$250. You must make the minimum contribution of \$25, \$100, or \$250, based on your household income, between July 1 and November 1. If you receive a state contribution for a beneficiary in a given year, you are not eligible in that year for the state income deduction for contributions that you made for that beneficiary.

[Enroll Now](#)



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State Examples

U.Fund College Investing Plan Massachusetts	SeedMA is a pilot program designed by the Office of the Treasurer and Receiver General of Massachusetts and MEFA to help families in eligible communities invest in their child's post-high school education and training. The pilot program commenced in the Fall of 2016 and currently provides kindergarten students in the Worcester and Monson Public School Systems with an initial \$50 deposit to establish a Massachusetts 529 college savings account (also known as the U.Fund College Investing Plan).	Enroll Now
SeedMA Baby is an expansion of the SeedMA initiative started in 2016. Beginning in January 2020, every baby born to or adopted by a Massachusetts resident will be eligible for a free \$50 seed deposit into a U.Fund 529 college savings account.		
SSGA Upromise 529 Plan Nevada	The Silver State Matching Grant Program provides a maximum \$300 annual matching contribution (\$1,500 lifetime maximum) for each beneficiary from a Nevada family with prior-year AGI of \$74,999 or less. The account owner must also be a Nevada resident. Applications are accepted each year from April 1 through July 31.	Plan Details
College SAVE (Direct) North Dakota	The BND Match Program provides a one-time match of contributions up to \$300 per beneficiary for North Dakota participants and active duty military families with incomes below \$80,000 (single) or \$120,000 (joint). Contributions within 12 months of the account opening are eligible for the match. The beneficiary must be 15 years of age or younger. For participants with incomes below \$60,000 (single) or \$80,000 (joint), the match is available for an additional two years. An additional matching program, New Baby Match, provides a North Dakota resident child 12 months or younger to be considered for a grant in the amount of \$200. New Baby Match participants must enroll in CollegeSAVE and contribute \$200 prior to the child's first birthday to qualify for the match.	Enroll Now
Pennsylvania 529 Investment Plan Pennsylvania	None., The Pennsylvania Treasury Department invests \$100 for every child born in the Commonwealth via the Keystone Scholars program. Parents have until a child's first birthday to claim the \$100 Keystone Baby Scholars investment by registering online or calling 1-800-440-4000.	Plan Details
CollegeBound Saver (Direct-sold) Rhode Island	Children born to or adopted by Rhode Island families are eligible for a \$100 "CollegeBoundbaby" grant to be used for Qualified Expenses if the request is received by the Treasurer within one (1) year of their birth or adoption.	Enroll Now
TNStars College Savings 529 Program Tennessee	Under the Tennessee Investments Preparing Scholars Program (TIPS), eligible families can receive a matching contribution of \$100 for a minimum \$25 investment, or \$500 for a minimum \$125 investment. Beneficiaries can receive a maximum match of \$500 per year for up to three years.	Plan Details
SMART529 WV Direct College Savings Plan West Virginia	The SMART529 Bright Babies Program (effective 8/1/15) provides a one-time incentive contribution in the amount of \$100 per designated beneficiary born or adopted on or after 1/1/15. The designated beneficiary must be a resident of West Virginia and the account must be opened within one year of the birth/adoption date.	Plan Details
The SMART529 Matching Grant Program (discontinued for new applications as of 8/31/15) provides matching grants to eligible West Virginia families in an amount up to \$500 per designated beneficiary per year, up to a lifetime maximum of \$2,500 per designated beneficiary, with a dollar for dollar match.		



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