



MEMORANDUM

To: Members of the Audit and Governance Committee of the Plans Management Board
From: John Meyer, Director of Contributions and Plan Management
Date: February 13, 2018
Re: Declaration of Trust Modifications for the Delaware Qualified Tuition Savings Plan Trust

I. Background & Purpose

Over the last several months, the Office of State Treasurer (OST) consulted with counsel regarding the Declaration of Trust for the Delaware Qualified Tuition Savings Plan Trust. Counsel reviewed the Declaration of Trust and suggested modifications.

The purpose of this legal review was to identify areas where the Trust needs to be updated to reflect current law, current usage, or potential future usage.

II. Suggested Modifications

Legal review generated three major recommendations. They are as follows:

- Modify Section 4.5 to conform to the recent tax law change, which will allow participants to spend \$10,000 per-year, per-account on tuition expenses for elementary and secondary education or any other amount as provided in Section 529 of the Code or other applicable or successor provisions.
- Allow the Board to establish an Administrative Fund, in addition to the existing Participant Fund. The Administrative Fund would be dedicated to paying the operating expenses of the 529 program. This change is in Section 6.2.
- Similarly, Section 6.4 authorizes the Board to create an Endowment Fund. This will allow the Board to establish a scholarship program.

III. Recommendation

OST recommends adoption of these changes. In addition, OST recommends transferring Trust administrative assets from a PNC Bank account to new account to be created at Fidelity. Instituting these changes will properly position the Trust for 2018. These changes will allow the Trust to conform to current tax law, clarify how funds are to be maintained and expended, and provide the Board the mechanism to create a scholarship program for students, should it decide to create one.