

# 2014 CSF Conference

## 529 Plan Landscape



# 529 Plan Landscape



- **Moderator: Nancy Sobin, College Savings Bank**
  - Andrea Feirstein, AKF Consulting Group
  - Rich Calvario, Pershing
  - Brenda Gary, Dunn and Bradstreet Credibility Corporation

# 529 Plan Landscape



- Key market changes and activities
  - Looking back at 2013 and forward to 2014 and beyond
  - Next steps in Omnibus migration (Omnibus 2.0)
  - Corporate Matching program initiatives

# 529 Plan Landscape: Program Management Opportunities

Andrea Feirstein, AKF Consulting Group



# Plan Manager Rebid Results



<b>Manager Not Rebidding</b>	<b>Manager Retained</b>	<b>Manager Replacements</b>
<b>California Direct and Advisor</b>	<b>Michigan Direct</b>	<b>Alabama Direct and Advisor</b>
<b>Iowa Advisor</b>	<b>Missouri Direct</b>	<b>Missouri Advisor</b>
<b>Oregon Direct</b>	<b>New York Direct</b>	<b>Nebraska Direct and Advisor</b>
<b>Texas Direct, Advisor and Prepaid</b>	<b>South Carolina Direct and Advisor</b>	<b>New York Advisor</b>
<b>Wisconsin Direct and Advisor</b>		

# Plan Manager Rebid Observations



- **Plan Managers “not rebidding” walked away from almost \$8 billion in 529 assets**
- **“Retained” Plan Managers bid aggressively not to lose the business**
- **Plan Manager “replacements” provide opportunities for new players**

# State Approaches to Procurement



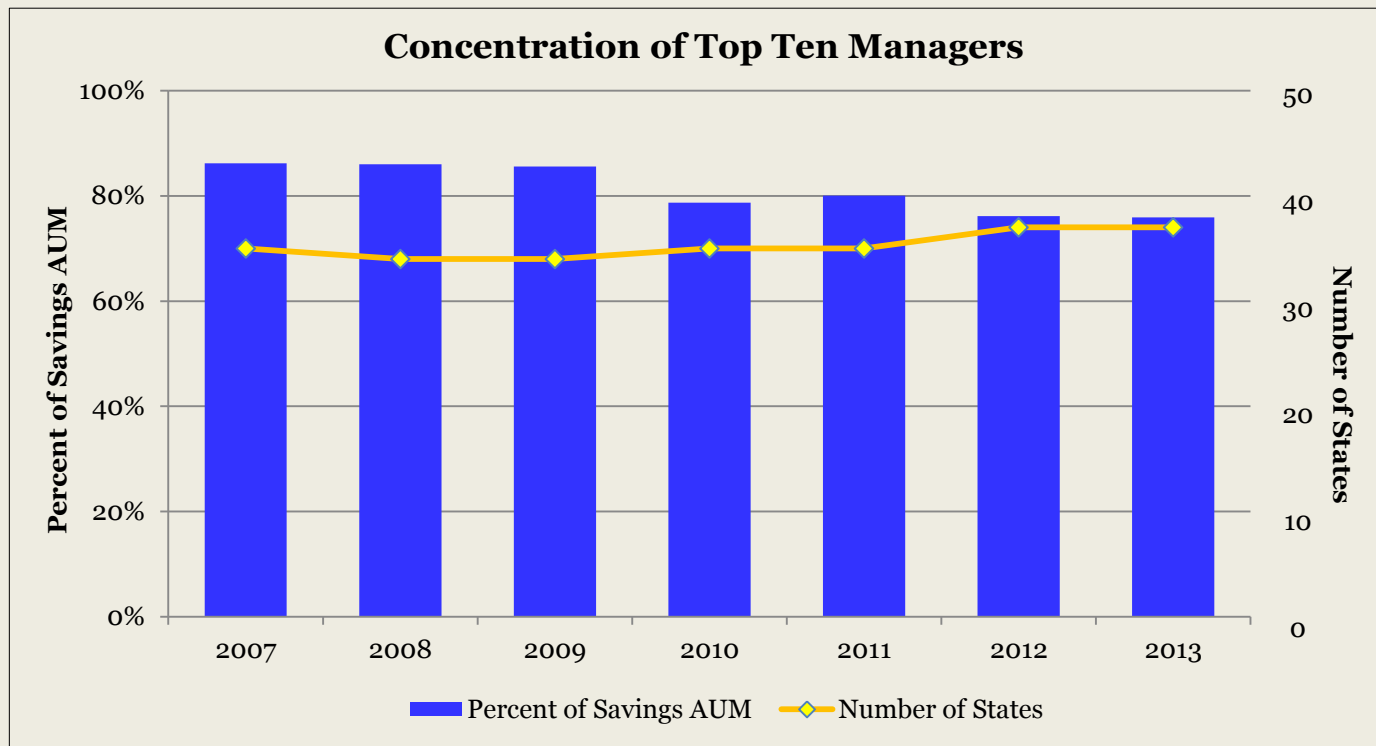
- Depending on procurement codes, State Administrators may renegotiate rather than rebid
- An RFP provides a market test for current industry standards

Renegotiations	Rebids	
<p><b>Colorado Advisor</b>  <b>Georgia</b>  <b>Iowa Direct</b>  <b>Maine Advisor</b>  <b>Montana</b>  <b>Rhode Island</b>  <b>Virginia Advisor</b>  <b>West Virginia</b></p>	<p><b>Alabama</b>  <b>California</b>  <b>Colorado Direct</b>  <b>Connecticut</b>  <b>Washington, D.C.</b>  <b>Hawaii</b>  <b>Idaho</b>  <b>Illinois</b>  <b>Indiana</b>  <b>Iowa Advisor</b>  <b>Kansas</b>  <b>Kentucky</b>  <b>Maine Direct</b></p>	<p><b>Michigan</b>  <b>Minnesota</b>  <b>Mississippi</b>  <b>Missouri</b>  <b>Nebraska</b>  <b>New Jersey</b>  <b>New York</b>  <b>Oregon</b>  <b>Pennsylvania</b>  <b>South Carolina</b>  <b>Texas</b>  <b>Vermont</b>  <b>Wisconsin</b></p>

# Program Manager Concentration Trends

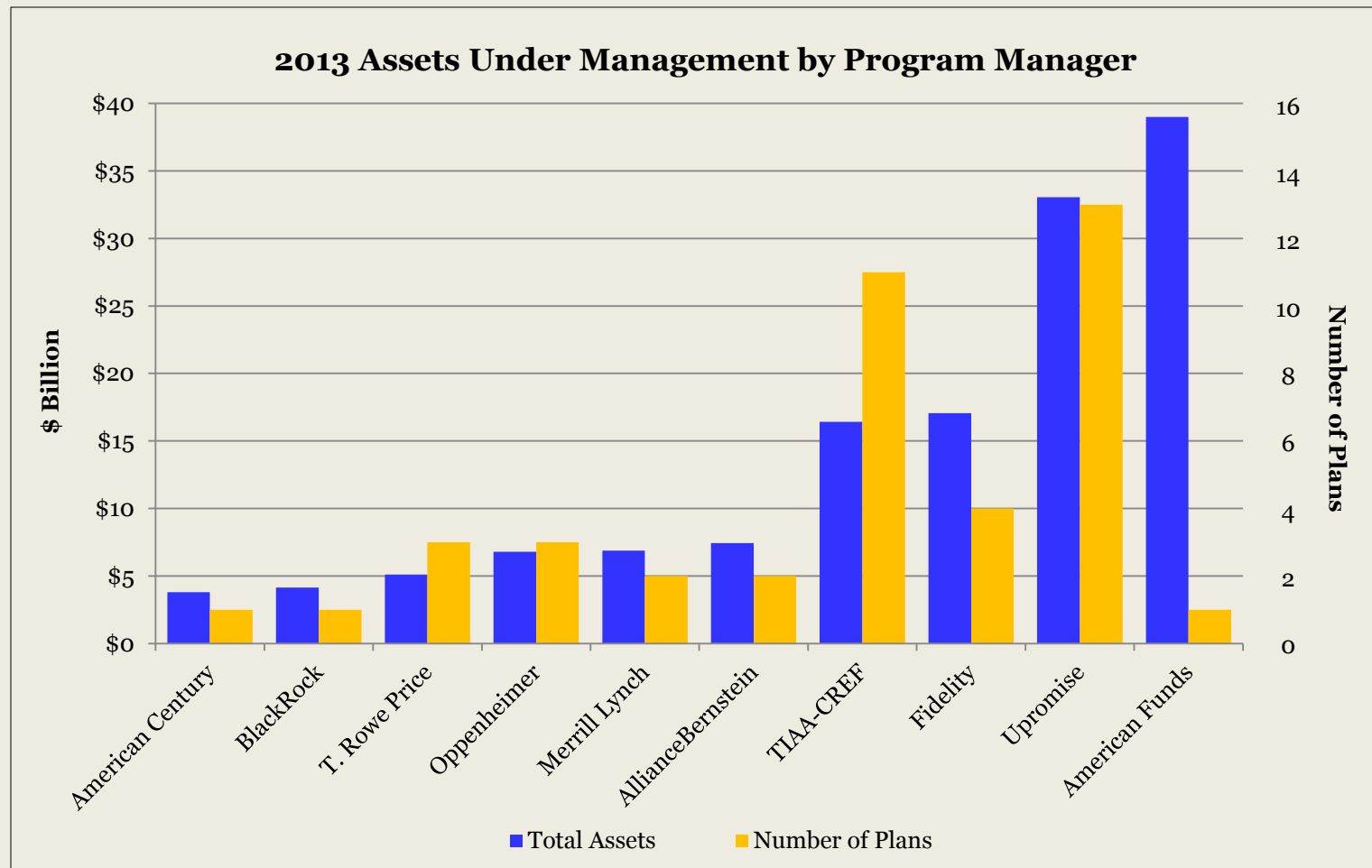


- **Concentration among top 10 program managers has decreased:**





# Program Manager Consolidation



Sources: CSPN data as of June 30, 2013 ut for specific information provided by Arizona, Maine, South Carolina, South Dakota and Washington, D.C.

# Expected Contract Terms



2014		2015	2016
Arizona - Fidelity	Michigan - Advisor	Arizona - Waddell	Alaska - Direct
Colorado - Direct	Minnesota	Connecticut	Arizona - College Bank
Illinois – Bright Start	New Jersey	Hawaii	California
Kentucky	Ohio – BlackRock	Illinois - Bright Directions	Georgia
Maine	South Dakota	Nevada - Putnam	Kansas
Massachusetts	Vermont	New Mexico	Mississippi
		Oklahoma	Missouri
		Oregon - Direct	Pennsylvania
		Rhode Island	
<b>12 States</b> 10 Direct Plans 6 Advisor Plans		<b>9 States</b> 6 Direct Plans 7 Advisor Plans	<b>8 States</b> 9 Direct Plans 2 Advisor Plan

- Fidelity, Upromise and TIAA

# 529 Plan Landscape: Brokerage Update Rich Calvario, Pershing



# 529 Plan Landscape- Brokerage - update



- Edward Jones
  - Continues to add plans to offering
- Pershing
  - 2 Plans now live
  - Hope to add 3 in 2014
- Ameriprise
  - Went live with Columbia in late 2013
  - Became 3<sup>rd</sup> firm to be able to handle 529 accounts in brokerage

# 529 Plan Landscape- Brokerage – next steps?



- Make a good thing better
  - Create industry support for 529 ACATs
  - Make it easier to retain performance history for account transfers
  - Reduce even more paper!

# 529 Plan Landscape: Employer Matching Programs/ Introducing EdAhead®

Brenda Geary, D and B Credibility Corp







Arbitration

Government

Law

# Ed Ahead

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Dun & Bradstreet Credibility launched EdAhead to fuel the next generation of thinkers, doers and innovators. EdAhead does this by making education savings more attainable and learning opportunities more abundant.

- **Employee Benefit Program**

- Employee match: D&B Credibility matches 100% of employee contributions up to \$2,500 annually

- **Community Match**

- D&B Credibility matches the aggregated match amount in each office and donates that amount to the school district in which that office resides



# Introducing EdAhead®

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## Employee Program Overview

- Employee Program launched December 2012
- First year participation rate 15%
- Participation rate grew to almost 20% in 2013
- Currently Dun & Bradstreet Credibility is the only Putnam client with a 529 match feature
- Fund assets for employee and community programs currently over \$1,000,000

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## **EdAhead Community Program:**

Proposals submitted by school districts with a requirement that funds specifically be used towards academic programs built on innovation and entrepreneurship

## **Local School District Fund Use Examples:**

- Robotics Labs
- STEM curriculum
- Scholarship programs for college bound students and high school students to participate in national conferences and STEM competitions
- Early childhood and middle school support for STEM programs
- Dun & Bradstreet Credibility paid summer internships

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## **Employer Match Provider Selection Criteria:**

- 529 plan with wide range of investment options and flexible features for employees nationwide
- Willingness to accept both contributions and company match
- Back office administration provides superior service to employees enrolled in the program
- Ten years experience with 529 payroll contributions

**Result: Smooth launch in December 2012**

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## **Our Challenges**

- Financial Advisor dropped out of process due to complexity, e.g., compliance guidelines required disclosing state tax advantages.
- Some employee gaming. Match amount made up for penalization on withdrawal—this was anticipated and easy to address. Immediate ban on participation.
- The match component was a new and different animal.
- No clear cut differentiation in the fund sources outside of payroll contributions resulted in a few overmatching situations, e.g., grandparents contributing checks resulted in accidental matches of non-employee contributed funds.



## **Success Strategies / Best Practices**

- Open communication between employer and investment manager
- Clearly defined match guidelines
- Appropriate timeline for enrollment, employee contributions & match processing
- Employee authorization for employer & investment manager information sharing
- Ability to track contributions for purpose of calculating match

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Questions?

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