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# 2024 Virtual CSPN Prepaid Tuition Plan Mini Conference (Day 2)

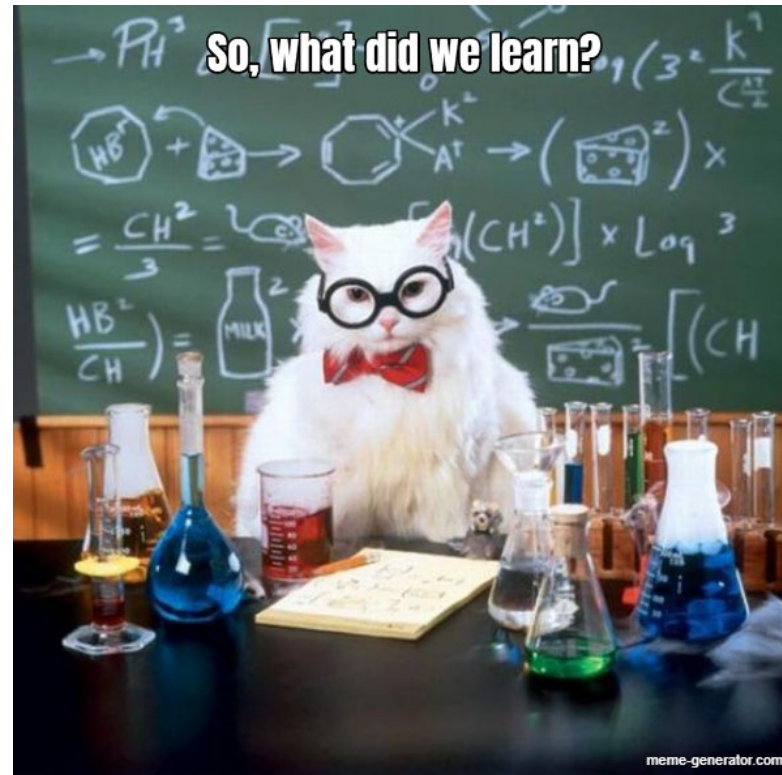
April 11 | 1pm - 4pm (ET)



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# Welcome back to day 2!

- Let's recap what we heard yesterday



# Today's Lineup

Day 2 Agenda (April 11)	
1:00pm – 1:10pm	<b>Welcome and Overview</b> – Prepaid Co-Chairs: Karen Principe, Virginia529 and Luke Minor, WA529
1:10pm – 1:15pm	Break
1:15pm – 2:30pm	<b>Let the Good Times Roll: Rolling out the new Roth IRA Rollover provisions</b> <i>Moderator:</i> Mary Anne Busse, Great Disclosure <i>Panelists:</i> John Stevens, PA529 Carolyn Bishop, Virginia529 Linda Fernandez, Texas
2:30pm – 2:40pm	Break
2:40pm – 3:50pm	<b>State of the States: Prepaid Style</b> <i>Moderator:</i> Karen Principe, Virginia529 and Luke Minor, WA529 <i>Panelists:</i> Y'all (AL, AK, FL, KY, MA, MI, NV, PA, PC529, TX, VA, WA)
3:50pm – 4:00pm	Closeout and Recap

# Rolling over to the next session

## *Session #3*

### **Let the Good Times Roll: Rolling out the new Roth IRA Rollover provisions**

- Moderator:
  - Mary Anne Busse, Great Disclosure
- Panelists:
  - Carolyn Bishop, Virginia529
  - Linda Fernandez, Texas
  - John Stevens, PA529



# Let the Good Times Roll

Rolling out the new Roth IRA Rollover provisions

# Meet the Panel

Carolyn Bishop



Virginia 529  
Chief Operations  
Officer

Linda Fernandez



Director, Texas  
Comptroller's  
Educational  
Opportunities  
and Investments  
Division

John Stevens III, Esq.



Director  
Bureau of  
Savings  
Programs

**Mary Anne Busse, Moderator**  
**Managing Director, Great Disclosure LLC**



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# Section 529



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# The Statute

Section 529 was amended effective January 1, 2024 to allow federally tax-free rollovers from a 529 account to a Roth IRA account under these requirements

Rollover must be to a Roth IRA maintained for the Beneficiary of the 529 account

529 account must be open for 15 years

Rollovers of contributions and earnings for the last 5 years are prohibited

Must be a direct rollover from the 529 plan to the Roth IRA account

Limited to the annual contribution limit allowed for Roth IRAs

Limited to a lifetime maximum of \$35,000 per beneficiary

529 plan must report contributions, distributions and earnings of the 529 plan as of the date of distribution



# The Problems

The industry seems to have more questions than answers regarding Roth rollovers

Does a rollover to another 529 plan restart the clock?

Does the change of beneficiary restart the clock?

Does a change in the recordkeeper restart the clock?

Does a change in the account owner restart the clock?

Who is responsible for calculating the 15-year and 5-year rule?

How should we calculate the 5 year prohibition?

Can we allow an account owner to roll over more than the annual limit?

What should the 529 plan report to the Roth trustee?

How should the 529 plan treat funds returned from the Roth IRA trustee?

# The Questions

- CSPN and other industry organizations have requested guidance from the Treasury Department and IRS
  - Guidance is on the official “to do” list of the Treasury and IRS
    - No indication of when or if questions will be addressed
- There have been some limited technical corrections that have been helpful

# The Solution

- 529 plans are working toward a consensus approach to best practices based on positions taken in letters submitted to Treasury and the IRS
- Prepaids, in particular, have unique, structural considerations
  - May need some customized solutions

# Prepaid Plans Are Different

**Depending on the prepaid plan, participants purchase:**

- Credit hours
- Tuition units
- Semesters
- Years



## Pennsylvania 529 Guaranteed Savings Plan (GSP)

### Overview

- Launched in 1992
- Account owners invest in tuition credits
- Value of tuition credits is determined by tuition level chosen by account owner
- Tuition level may be changed at any time. Value is retroactively re-calculated
- Each GSP account has three values: Sum of the contributions, tuition inflation value, and investment performance value.
- Valuation of rollovers from a GSP account to a Roth IRA is calculated like other rollovers-lesser of tuition inflation value and investment performance value but in no case will account owners receive less than the sum of contributions.

# Texas Prepaid Plans Compared to Texas Savings Plans

## **Original Prepaid Tuition Plan –**

- Opened in 1997; closed to new enrollment in 2003; 10-year termination deadline
- Sold in hours
- Pays at current hourly reimbursement rate for contract type
- Determines # of hours used by dividing requested amount by hourly rate

## **New Prepaid Tuition Plan –**

- Opened in 2008; 10-year termination deadline
- Sold in tuition units
- Pays amount contributed for tuition units plus or minus net earnings or losses on that amount (transfer value)
- Determines # of tuition units used by dividing requested amount by transfer value

## **College Savings Plans –**

- Opened in 2002; no termination deadline
- May not exceed the aggregate amount contributed (including related earnings) to the 529 plan account before the 5-year period ending on the date of the rollover

# Virginia Prepaid Plans

## Legacy Prepaid529 Tuition Plan

- Opened in 1996; closed to new enrollment in 2019
- 10-year expiration deadline and transferred to Invest529 savings program
- Sold in semesters (previously years)
- Pays differently for in-state public, in-state private, out-of-state

## New Prepaid Tuition Plan – Tuition Track Portfolio (TTP)

- Opened in 2021; Sold in units based on Average Tuition
- 10-year expiration deadline and transferred to Invest529 savings program
- 100 units equals one year of Average Tuition
- Pays out units at Average Tuition at the time of pay out



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# Operational & Technical Considerations



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# Virginia529<sup>SM</sup>

## Online From Inception to Completion



### Virginia529<sup>SM</sup> ROTH IRA ROLLOVER REQUEST

**SECTION 2 | Roth IRA Account Information** \* Required Fields

List the information for the Roth IRA account. Please contact the Roth IRA provider or Roth IRA account owner for proper mailing address to avoid any delays.

**ROTH IRA ACCOUNT OWNER**

Roth IRA Account Owner Name*	Roth IRA Account Owner Social Security Number*
Roth IRA Account Owner Street Address*	Roth IRA Account Owner City, State, Zip Code*
Roth IRA Account Owner Email	Roth IRA Account Owner Phone Number

**ROTH IRA PROVIDER**

Roth IRA Provider*	Roth IRA Account Number*
Provider Street Address*	Provider City, State, Zip Code*
Provider Phone Number	

*Note: The Roth IRA provider may require additional information. Check with the provider before completing this request.*

**SECTION 3 | Signature**

I hereby authorize Virginia529 to use the information provided on this form to initiate a rollover transfer to the Roth IRA account indicated in Section 2.

I understand that a rollover transfer from a 529 account to a Roth IRA account is subject to certain requirements under federal law, and I certify that this rollover transfer request meets all applicable rollover requirements.

I understand that if the rollover transfer to the Roth IRA does not meet all applicable rollover requirements, the rollover transfer may be considered a Non-Qualified Withdrawal. I acknowledge that Non-Qualified Withdrawals are subject to federal income tax and a 10% penalty on the earnings portion of that Withdrawal. I understand that a Non-Qualified Withdrawal may also be subject to Virginia state income tax for Virginia taxpayers and that if I am a Virginia resident I may be required to recapture all or part of any deductions taken from my Virginia taxable income related to payments/Contributions made to the above-referenced account.

I agree that I am solely responsible both for complying with all applicable laws and regulations pertaining to the rollover transfer from my Virginia529 Account to the Roth IRA account designated above and also for any taxes, penalties, or other costs associated with actions requested. I acknowledge that I have read and understood the applicable program disclosure documents, including the Program Description.

Virginia529 Account Owner Signature \_\_\_\_\_ Date \_\_\_\_\_

Please provide your documents by logging into your Virginia529 account and selecting **Upload Documents** under the Help Desk tab. Please do not send personal identification documents by return email.

1-888-567-0540 • Virginia529.com

# Prior Year Contributions to a Roth IRA

**Secure 2.0 allows 529 account owners to roll over funds to their Roth IRA for both the current year and prior year**

- Texas plans assume warrants must be postmarked no later than April 15<sup>th</sup>
- Notification on our website and forms that requests for prior year contributions must be received in our office no later than April 1<sup>st</sup> to ensure warrant postmark date no later than April 15<sup>th</sup>



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# Compliance Considerations



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# Data

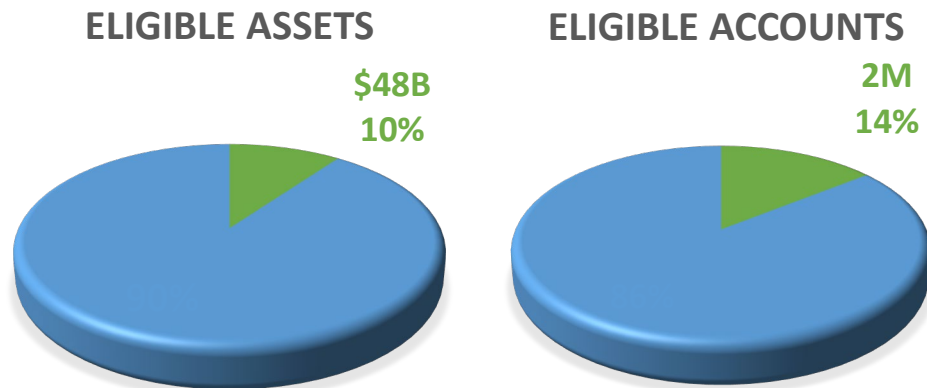


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# 529 to Roth IRA Rollovers By the Numbers

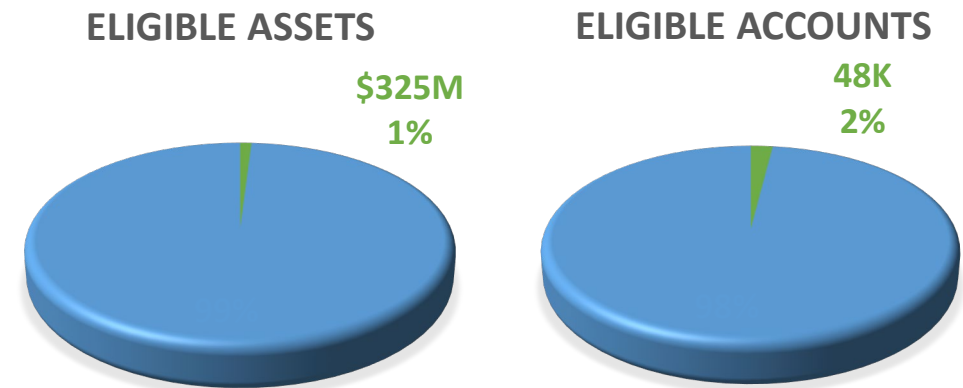
## How It Started...

10% of 529 assets and 14% of accounts were estimated to be eligible for rollovers as of Q3 2023 <sup>1</sup>



## How It's Going...

1% of eligible 529 assets and 2% of accounts are projected to roll to a Roth IRA in 2024 <sup>2</sup>



<sup>1</sup> ISS Market Intelligence Study, 2023

<sup>2</sup> ISS Market Intelligence Data, 2024

# 529 to Roth IRA Rollovers By the Numbers

## January 2024

- ▶ \$17.8 million assets
- ▶ 2,662 accounts
- ▶ \$6,718 average amount per account
- ▶ Commentary
  - ▶ Materially more activity in direct-sold channel (Direct vs. Advisor)
    - ▶ \$12.7 million vs. \$5 million
    - ▶ 1,867 vs. 790 accounts
    - ▶ \$6,849 vs \$6,409 average
  - ▶ Prepaid: 5 accounts distributed \$32K
    - ▶ 4 were from closed plans
  - ▶ Less than 0.1% of eligible use in January 2024

## February 2024

- ▶ \$18.0 million assets
- ▶ 2,617 accounts
- ▶ \$6,862 average amount per account
- ▶ Commentary
  - ▶ Materially more activity in direct-sold channel (Direct vs. Advisor)
    - ▶ \$8.4 million vs. \$9.4 million
    - ▶ 1,253 vs. 1,339 accounts
    - ▶ \$6,710 vs \$7,014 average
  - ▶ Prepaid: 25 accounts distributed \$157K
    - ▶ 20 were from closed plans
  - ▶ Less than 0.1% of eligible use in February 2024

*Source: ISS Market Intelligence Data, 2024*

# Prepaid Data

CSPN took a short survey of Prepaid Plans with 12 plans participating

- 7 plans had rollovers
- 1 plan had inquiries but no rollovers
- 1 plan does not consider itself a 529 plan
- 3 plans either require a change in state law to allow Roth rollovers, or are prohibiting rollovers for administrative reasons

<b>Total Number of Accounts Rolled Over:</b>	<b>191</b>
<b>Total Assets:</b>	<b>\$1,208,198</b>
<b>Average Per Account:</b>	<b>\$6,326</b>

*As of 03.31.2024*

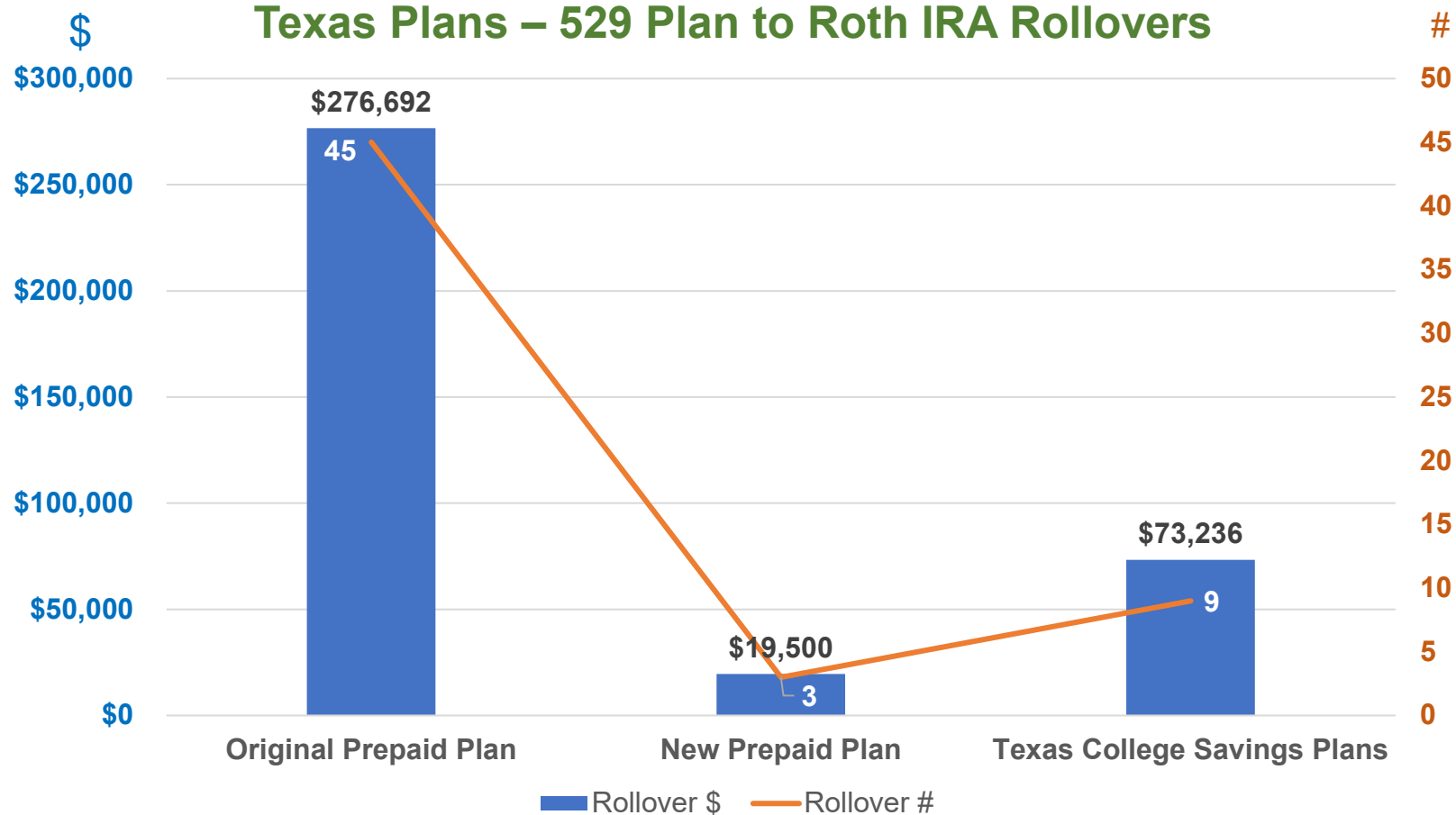


## Roth Rollovers

	PA 529 GSP	PA 529 Investment Plan
<b>Number of Roth IRA Rollovers</b>	70	492
<b>Total Amount</b>	\$466,435	\$458,633
<b>Average Amount</b>	\$6,663	\$932
<b>Average Age of Account</b>	17 years	16 years
<b>Average Age of Beneficiary</b>	29 years	13 years



## Texas Plans – 529 Plan to Roth IRA Rollovers



# Virginia529<sup>SM</sup> Roth Rollover Metrics so far\*

## prepaid529<sup>SM</sup>

34 approved - \$187,000

Average Rollover Amount – \$5,500

Average Contract Age – 20 years

Average Beneficiary Age – 25 years

## invest529<sup>®</sup>

198 approved - \$2,100,000

Average Rollover Amount - \$5,870

Average Contract Age – 19 years

Average Beneficiary Age – 28 years

\*unaudited rollovers as of March 31, 2024



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# Closing Remarks



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# How Can We Help Our Account Owners?

- We can assist our account owners in making the decision whether to roll over 529 funds to a Roth IRA
  - Explain the five- and fifteen-year age restrictions
  - Discuss how account activity MAY affect those restrictions, e.g. rollovers, beneficiary changes, etc.
  - Walk through contribution history to help determine the age of contributions and earnings

# Next Steps

- Further clarification from Treasury
- Refining processes, forms, FAQs, and customer service as we learn more
- Will we feel more (or less) confident providing more hands-on assistance to account owners in determining compliance with Secure 2.0 Act?



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# Q&A



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# Thank You!

# Questions?

- Contact for Moderator:
  - Mary Anne Busse, Great Disclosure – [mabusse@greatdisclosure.com](mailto:mabusse@greatdisclosure.com)
- Contact for Panelists:
  - Carolyn Bishop, Virginia529 – [CBishop@virginia529.com](mailto:CBishop@virginia529.com)
  - Linda Fernandez, Texas – [Linda.Fernandez@cpa.texas.gov](mailto:Linda.Fernandez@cpa.texas.gov)
  - John Stevens, PA529 – [jstevens@patreasury.gov](mailto:jstevens@patreasury.gov)



# And now...the moment you've all been waiting for...

*Session #4*

## **State of the States – Prepaid Style**

- Facilitators:
  - Luke Minor, WA529
  - Karen Principe, Virginia 529
- Presenters:
  - Y'all



# The star-studded lineup

- Chad Wright (AL)
- Shea Bredlie (AK)
- Will Thompson (FL)
- David Lawhorn (KY)
- Claudia Niles (MA)
- Megan Patino (MI)
- Tya Mathis-Coleman (NV)
- Heather Birnie (PA)
- Joanne Dashiell (PC529/CollegeWell)
- Linda Fernandez (TX)
- Vivian Shields (VA)
- Rodger O'Connor (WA)



# Alabama Update

Chad Wright

# Alaska Update

Shea Bredlie

# Florida Update

Will Thompson

# Kentucky Update

David Lawhorn



- What happens when your actuarial projections are off..... the year you run out of funds.... (outside biannual budget process to get state appropriation of funds to pay out current year obligations)
- With a prepaid program that has not had an enrollment in 17 years..... the Roth IRA rollover request are flowing in for KY a few challenges we have faced first three months of 2024
- Closed plan and legacy account owner outreach- the KY plan

# Massachusetts (MEFA) Update

Claudia Niles



# Michigan Education Trust (MET) Update

Megan Patino

# MET - Operations Update

- 2023 was our first year of year-round enrollment since 2009
  - Two extra months of enrollment – sales were up 7% over 2022
  - Pay-As-You-Go represented 53% of new METs in 2023
  - No price increase for 2024 enrollment
  - Closed enrollment to adults; now open for Newborn – 12<sup>th</sup> grade
- Implemented the Catalis Align web portal

# MET – Marketing Update

- Expanded the MET Marketing Team
  - Brought document design in-house
  - Increased volume of outreach events
  - Expanded our School Partnership program
  - Expanded our Employer Outreach program, MET Works, with two dedicated employees

# MET – Accounting Update

- MET Accounting shifted to Accounting Services in Treasury
- MET ACFR was submitted for the Government Finance Officers Association (GFOA) Certificate for Achievement for Excellence in Financial Reporting
  - Results expected in the Fall



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# Thanks!

# NEVADA **PREPAID**TUITION



**Dr. Tya Mathis-Coleman**  
**Nevada Treasury**  
**Deputy Treasurer, College Savings Division**

- This open enrollment season is our 25th Anniversary of the Nevada Prepaid Tuition Program.
- To celebrate, the Board of Trustees of the College Savings Plans of Nevada is hosting a Nevada Prepaid Tuition Scholarship Account Giveaway with 2 winners:
  1. New enrollee during this years open enrollment period (November 1 to April 15, 2024).
    - Open to all Nevadans
    - Random drawing from all new enrollees during the enrollment period
    - Scholarship value up to a 4-year university plan - \$25,000 value
    - Treasurer's office to remain as the account owner for the scholarship
  2. Reimburse existing account owner the cost of their contract.
    - Open to all existing active contract holders
    - Random drawing – with or without usage
    - Treasurer's office will reimburse purchaser the cost of their contract – up to \$25,000 value





# NEW Marketing Campaign

- The Nevada Prepaid Tuition Program had a new campaign for this open enrollment season: **Rest Easy** - giving families peace of mind knowing that their child's tuition is paid for
- The State Treasurer's Office promoted the campaign throughout Nevada which included all marketing collateral, public buses, billboards, and online banner ads







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### **25 Events in 25 Days**

- To Honor the 25th Anniversary of Nevada Prepaid Tuition, the college savings outreach team is participating in 25 events throughout Nevada from March 18th to April 20th.
- Events included (but were not limited to the following):
  - Radio
  - Easter Egg Hunt
  - Storytime at the Libraries
  - School College and Career Fairs
  - Museums and more

## **PREPAID OPEN HOUSE**

- ❖ On March 25, 2024, the College Savings team held a Prepaid Tuition Open House Informational Night at the Paseo Verde Library in Henderson.
- ❖ Marketing for the event included:
  1. We sent out an email blast to all active account holders.
  2. Included a 1 page flyer in the graduation packets that were mailed out to the 2024 Prepaid Tuition graduating students in southern Nevada.
- ❖ Goal was to educate Nevadans on how to use their benefits, what options they have, using benefits in-state vs. out-of-state, and combining benefits with scholarships and other financial aid.
- ❖ Successful event that attracted over 30 attendees, was very well received by the participants, and gave them the opportunity to ask the questions they normally would not.
- ❖ The event also gave prospective contract holders more insight into the benefits of the Nevada Prepaid Tuition Program.

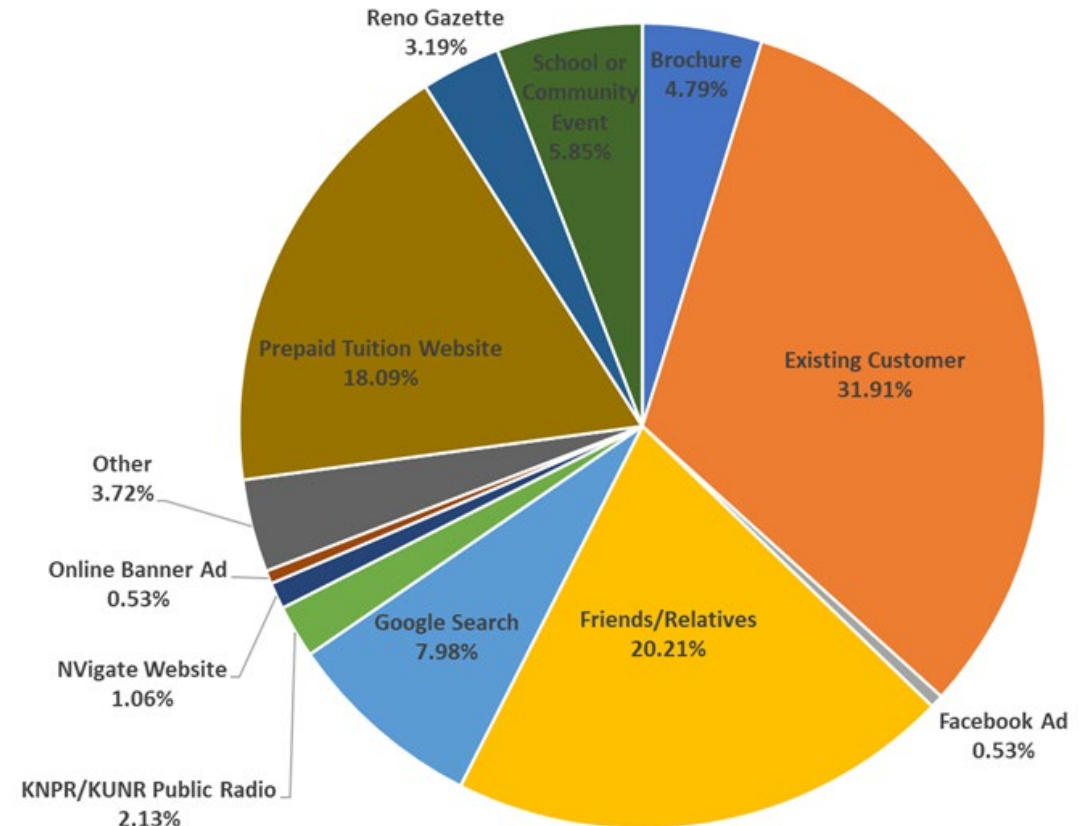


## Challenges

- Despite a funded status of 227.5%, an increase in outreach events, and a scholarship giveaway during this enrollment period, enrollment continues to be down and is declining year over year.
- Contributing factors to decline in enrollment include:
  1. The cost of tuition contracts continue to increase and are becoming less affordable.
  2. Many still unaware of the Program and its benefits.
  3. Continuous misconception that benefits can only be used here in Nevada, which is home to a limited number of higher education institutions.

## Top 3 sources of referral:

1. Existing Customers
  2. Friends/Relatives
  3. Prepaid Tuition Website
- These top 3 referral sources have remained consistent year over year.
  - They will continue to be a strong focus for future marketing campaigns.
  - Future plans to work with newly contracted Marketing vendors to develop innovative strategies to reach more Nevadans.





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# Questions?



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# Thank You

**Please contact with any Questions or Concerns:**

Dr. Tya Mathis-Coleman  
Nevada Treasury  
Deputy Treasurer, College Savings Division  
[tmathiscoleman@nevadatreasurer.gov](mailto:tmathiscoleman@nevadatreasurer.gov)

# **Pennsylvania 529 College and Career Savings Program**

## **Guaranteed Savings Plan (GSP)**

# Plan Statistics

- \$2.3 billion in assets as of 3/31/2024
- Actuarial status as of 3/31/2024 is 136.12%
- Fiscal Year 2022/23 saw the highest gross contributions ever for the plan- \$234.6 million (2.6% higher than the previous fiscal year)



# Achievements

- Because of the GSP's sound financial status, account maintenance fees were waived for the last two fiscal years. These waivers saved account owners \$5.5 million.
- We are currently building an app specifically designed for the GSP.
- The PA 529 College and Career Savings Program, including both GSP and IP, announced that one million withdrawals have been made from the accounts since inception.

# Marketing Initiatives

- Treasury's outreach team continues to connect with families across the Commonwealth at in-person community events, county fairs, workplace visits and more. The outreach team has developed relationships with nearly 50 companies that are now committed to offering access to PA 529 accounts to employees.
- Last May, the GSP's 529 Day promotion, which offered a top award of \$5,290 and ten regional awards of \$2,529, helped increase new PA 529 GSP enrollments to the most in any month of May in more than 20 years.

# Keystone Scholars

- Announced a new program manager in 2023
- Deepened relationships with many PA state agencies and school districts
- Expanded outreach to several healthcare systems
- As of March 2024, over 650,000 accounts have been created and more than \$94 million has been contributed to PA 529 accounts opened for a child who has a Keystone Scholars account.

# PC529 (CollegeWell) Update

Joanne Dashiell

# Texas Update

Linda Fernandez

# News from Texas

The original Texas prepaid tuition plan has been fully funded!

- Opened in 1997; closed to new enrollment in 2003
- Higher than expected tuition inflation, lower than expected investment returns (48.9% funded status in 2022)
- Benefits were guaranteed by a constitutional amendment approved by Texas voters in 1997
- \$813.4 Million transferred from the state
- Approximately 160,000 enrollments; 18,000 active accounts today

New prepaid tuition plan opened in 2008

- \$1.1 Billion in assets
- 9 Million tuition units sold; 51,000+ enrollments
- Benefit payments will never exceed contributions plus earnings
- 605 Matching scholarships for low-income Texas students

# Virginia529<sup>SM</sup>

## Defined Benefit 529 Program

State of the State Update

prepaid529<sup>SM</sup>

Tuition Track Portfolio

## Virginia529 – Accomplishments and Recent Initiatives

- Exceeded \$100.1 billion in total AUM across all programs as of February 2024
- Morningstar Rating Upgraded from Bronze to Silver for Invest529, which includes TTP
- 2023 GFOA Certificate of Excellence in Financial Reporting
- Innovation Goal with Four Spur Groups
- Outsourced Internal Audit Function
- Customer Identity and Access Management Enhancements
- Knowledge Management System Project
- Cloud Software Implementations - Reconciliation Software and Financial Reporting Module
- Horizon – Agency Name Change to better align with our expanded mission and mandates
- Secure 2.0 - 529 to Roth IRA Rollovers



# Closing the Gap\*



## Education Savings

**\$100.1B** in AUM\*\*

**21%** of 529 Market

**invest529**

**CollegeAmerica**

**prepaid529**



## Disability Savings

**\$194M** in AUM

**10.3%** of ABE Market

**ABLEnow**

**ABLEAmerica**



## State-Facilitated Private Retirement

**\$1.2M** in AUM

2,843 Funded Accounts

Launched June 20, 2023

**retirepathVA**



## Access & Affordability

**\$14.9M**

SOAR scholarships awarded

2010 | **SOARScholars**

2021 | Expansion

**\$13.5M**

Committed to seven partners

**SOARVirginia**

\*AUM and market share data as of 2/28/24 and 12/31/23, respectively

\*\*Education Savings include assets from DB529

# prepaid529<sup>SM</sup>

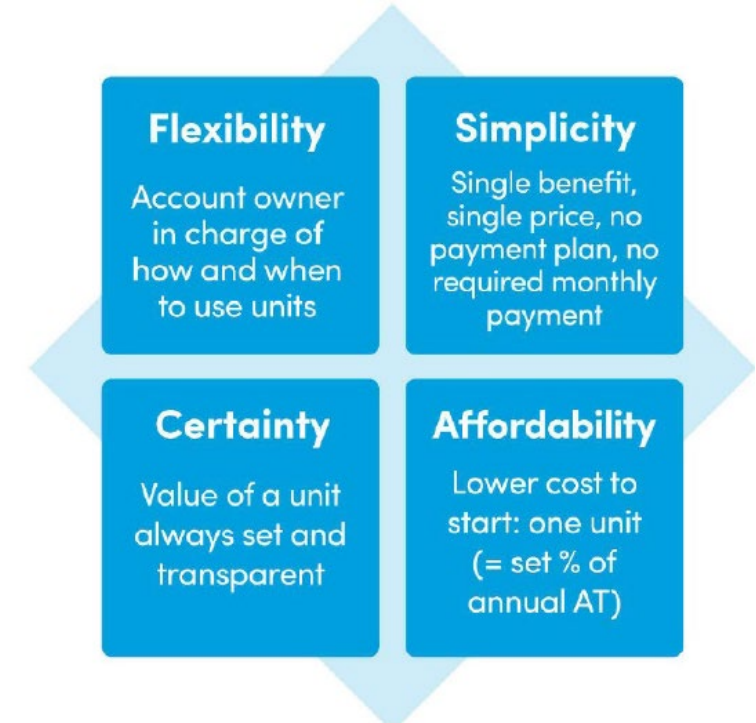
- Opened in 1996; Closed to new participants in 2019
- Initially sold in years of tuition but converted to semesters in 2013
- Has helped ~134k students fund their education
- \$2.3 billion in AUM\*, a .04% increase fiscal year-to-date
- ~39k accounts\*, a -6.24% decrease fiscal year-to-date
- Over 5,000 letters sent for “First Time in College” Students
- Proactive notifications on accounts nearing 10-year expiration date

\*As of 2/28/2024



# Tuition Track Portfolio (TTP)

- Opened in 2021 as the successor defined benefit program to Prepaid529
- TTP Unit Price = Average Tuition at Virginia's 4-Year Public Institutions (100 Units = 1 Year of Average Tuition)
- More affordable, flexible and simple
- \$112.9 million in AUM\*, a 23.3% increase fiscal year-to-date
- ~11k accounts\*, a 13.1% increase fiscal year-to-date
- Annual pricing reset planned for mid-July 2024 (seasonal peak in enrollments prior to pricing reset)



# DB529 Program Information

- ~107k contributions processed in fiscal 2023, totaling ~\$50 million
- ~21k distributions processed for in fiscal 2023, totaling ~\$152 million
- Over 56,000 1099Q's sent to customers across all programs in calendar year 2023 (includes Prepaid529 and Invest529)
- Successful TTP Promotion prior to TTP Unit Price Reset in 2023
- 529 Day Planning underway
- Planned targeted marketing of TTP to previous Prepaid529 customers who purchased only 1 to 2 semesters in final years prior to closure in 2019



## DB529 Fund Updates

- Currently funded at 183% as of 12/31/2023 on an actuarial basis
- Actuarial Experience Study Performed in 2023
  - Liability Decreases Based on:
    - Increase in cancellations
    - Delays in usage of benefits
    - Small increase in benefits used for out-of-state schools
  - Updated Assumptions Increased Funded Ratio from 187.5% to 208.4% for fiscal 2022
  - Increased Projected Actuarial Reserve Amount by \$162 million
- Comprehensive Risk Framework – Includes Policy, Risk Modeling, Reporting to Audit & Actuarial Committee and Board
- Completed \$500 million allocation from DB529 to a new Access Fund in fiscal 2023



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# Washington Update

Rodger O'Connor



# Washington

## Market research project

### GET 25<sup>th</sup> Anniversary

- Testimonial video project: <https://www.youtube.com/watch?v=1F6Zywm5cQs>

### WA529 Art Contest

- \$529 in GET or DreamAhead account to winners

## Savings plan RFP for Program Management



# And that's a wrap!

**Thank you for attending the  
2024 Virtual CSPN Prepaid Mini-Conference!**

