



STATE OF CONNECTICUT

RETIREMENT SECURITY BOARD

CO-CHAIRS: STATE COMPTROLLER KEVIN LEMBO & STATE TREASURER DENISE L. NAPPIER

Staff Report to CRSB

Re: 529 College Savings Plan Parallels

March 4, 2015 CRSB Meeting

The Georgetown Center for Retirement Initiatives had a webinar on February 12 on the parallels between 529 college savings plans and the recent public sponsored retirement plan initiatives. The presenters were Andrea Ferstein from AKF Consulting, John Heywood from Vanguard, and Richard Mourdock, the former Indiana State Treasurer.

Several relevant aspects of 529 college savings plans were recommended to states pursuing public retirement plans:

- States led the initiatives and the federal law eventually followed suit.
- The more visible the savings opportunity became to the public, the more it was used.
- Although Michigan received a negative IRS ruling, that ruling was then overturned in federal court. The court ruling caused multiple states to follow suit.
- States demonstrated a compelling value proposition for private sector partner commitments with tax benefits and consumer appeal.
- Consumer appeal was improved by bucketing the savings toward clear goals, state endorsements, endorsements by financial experts, tax savings and incentives, professional investment management, and low minimum savings requirements.
- Private sector partnerships were encouraged by growing client interest, sufficient market size, tax benefits at state and federal levels, state endorsements, and ability to work with new clients or strengthen relationships with existing clients.
- State sponsors became interested because of clear value-added service to constituents, availability to broad swath of population, low balance requirements, flexibility to outsource, and opportunity to generate revenue to cover administrative costs.
- If states put sufficient energy to gain critical mass and accounts are pooled, then money managers can still make money when managing small accounts.

The full webinar is located here: <http://cri.georgetown.edu/past-webinars/>