



# COMMONWEALTH of VIRGINIA

VIRGINIA COLLEGE SAVINGS PLAN  
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August 31, 2011

Mr. Ronald W. Smith  
Corporate Secretary  
Municipal Securities Rulemaking Board  
1900 Duke Street, Suite 600  
Alexandria, Virginia 22314

By Email: [CommentLetters@msrb.org](mailto:CommentLetters@msrb.org)

Re: MSRB Notice 2011-33 (July 19, 2011) – *Request for Comment on Plan to Collect Information on 529 College Savings Plans* – Response of Virginia College Savings Plan

Dear Mr. Smith:

The Virginia College Savings Plan<sup>SM</sup> (VCSP<sup>SM</sup>) is the nation's largest 529 plan, with over two million accounts and over \$35 billion in assets under management as of June 30, 2011. Since 1994, we have striven to provide affordable, flexible, and tax-advantaged college savings programs for our customers. We presently sponsor four such programs: the Virginia Education Savings Trust<sup>SM</sup> (VEST<sup>SM</sup>), the Virginia Prepaid Education Program<sup>SM</sup> (VPEP<sup>SM</sup>), CollegeAmerica<sup>®</sup>, and CollegeWealth<sup>®</sup>.

VCSP is committed to providing relevant, useful information to those planning and saving for higher education. The ability not only to adequately evaluate any given state's programs but to compare programs across state lines is important for investors making decisions about the college savings vehicle which is best for them. A transparent 529 marketplace is a key component in the development and success of 529 plans nationwide. Because it is a state agency, the programs directly administered by the VCSP are not regulated by the Municipal Securities Rulemaking Board (MSRB). Only one of Virginia's four programs, CollegeAmerica, whose program managers are the American Funds Service Company (administrator), American Funds Distributors (distributors) and Capital Research and Management Company (investment adviser), is subject to the MSRB rules. Although many states have all 529 programs managed by

third party administrators which are subject to the MSRB, Virginia is one of several states to directly distribute some or all of its programs. Notwithstanding this fact, the VCSP and all 529 plans enjoy an excellent working relationship with the MSRB and work cooperatively to follow disclosure principles applicable to all 529 programs, regardless of direct MSRB oversight. We look forward to continuing that relationship and to working with the MSRB in its efforts to gain a better understanding of the industry, its participants, and its customers.

MSRB Notice 2011-33 (the Notice) provides an excellent opportunity for the MSRB and the 529 industry to frame the current issues and discuss ways to ensure that the general public has all the information needed to make informed decisions about college savings. The VCSP is a member and active participant in both national organizations dedicated to enhancing the 529 market and informing and educating individuals about the advantages of planning and saving for higher education. Those organizations, the College Savings Plans Network (CSPN) and the College Savings Foundation (CSF), are filing comments to the Notice and we support a dialogue between the MSRB and CSPN and CSF to find ways to maximize the availability and accessibility of relevant information about 529 plans and to meet the MSRB's goals.

An item of particular interest to VCSP is the possibility of dissemination of primary market disclosure documents and continuing disclosure electronically at a central website, with printed versions provided upon request. Electronic dissemination facilitates faster updates to disclosure documents. A central repository, such as is currently maintained by the MSRB on EMMA, provides a single location for individuals searching for information about 529 plans to obtain information on most 529 programs. Although not required to provide information on its non-regulated programs, the VCSP looks forward to being able to provide disclosure information about those programs on EMMA. Surely electronic dissemination is the prevailing method of obtaining information today and the VCSP supports that option for 529 plans.

The VCSP concurs with the MSRB that a centralized system for dissemination of information about 529 plans is a laudable goal. The VCSP believes that the pertinent, relevant data points outlined in the Notice are currently available to anyone seeking information about 529 plans. We also believe that some of the information discussed in the Notice has limited interest or relevance to most market participants. Data on inflows and outflows on individual portfolios within a particular 529 program option, for example, does not seem particularly relevant to an individual making a decision about the best plan or investment option for them. What does seem important, for those searching for information about how to effectively save for

higher education through a 529 plan, are data directly relevant and helpful as to which plan is most appropriate for a particular investor. Investment strategies, underlying managers, performance histories, time horizons, portfolio types, fees, state tax and other advantages and other similar information speak directly to the customer's risk tolerances and savings goals and are some of the data points critical to a disciplined, well-informed selection of both a 529 plan and an investment portfolio. Investment professionals, those of us in the 529 industry and the MSRB all may be interested in information about inflows and outflows and percentages of investors in a particular investment option, but that seems less relevant to individual investors. Moreover, without context or sufficient information to assess its relevance and importance, it could be confusing at best and misleading at worst. Currently, those seeking effective, user friendly information with which to compare 529 plans and individual programs within those plans, have a number of excellent options. The VCSP suggests that the best source for such comparisons is maintained by CSPN at its free website, [collegesavings.org](http://collegesavings.org). In fact, EMMA currently refers viewers to the CSPN website for plan comparison materials.

CSPN's website permits those interested in college savings plans to customize reports which compare 529 programs by state or by features using a wide variety of criteria. Visitors can learn about state tax benefits and other inducements like matching programs. They can also use a slide bar to compare fees of both direct sold and advisor sold programs. Critically, the site has data from all states and all programs, including those not subject to the MSRB's disclosure rules. In addition, on the CSPN site, a user can find a separate page for each state's 529 plan, at which its programs are described in general, with links to each state's 529 plan website. CSPN also publishes a report twice a year with summary information on the growth of 529 plans and trends in those programs.

Other online resources are available, as well. The Financial Research Corporation (FRC) ([frcnet.com](http://frcnet.com)) provides both free and fee-based information geared more towards industry professionals. FRC provides quarterly executive-level reports and analysis on products, marketing, and distribution trends in addition to a report that provides analysis on 529 fees at the plan and investment option levels. FRC provides both qualitative and quantitative analyses of 529 plans based on industry surveys with financial advisors, investors, and interviews with senior executives. FRC also periodically provides studies on issues relevant to 529 program managers. CSF also regularly publishes research articles on the 529 industry and trends in

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saving for college. Morningstar and savingforcollege.com also provide a large quantity of information and education about 529 plans, with the ability to compare plans and programs.

As a source for disclosure documents and to accommodate electronic dissemination of disclosure, EMMA seems the appropriate vehicle, as industry professionals and well-informed investors alike are aware of it as a source for such disclosure. Whether the average 529 plan participant would be similarly informed, or be able to navigate EMMA without further education and information, is questionable. At present, EMMA does not include the user-friendly features of CSPN's site, such as the ability to customize reports. Nor does it offer the commentary or reports found in FRC's online content which are valuable to, among others, investment professionals.

As to the MSRB's goal of bettering its own understanding of the 529 market, VCSP is eager to work with the MSRB in its efforts to achieve a higher level of understanding of our industry. Any reservations about the MSRB's inclination to collect the data outlined in the Notice are not related to any desire to inhibit transparency. In fact, the VCSP currently provides similar data to a number of sources and would be inclined to do so should the MSRB pursue this course even for those programs not regulated by the MSRB. As described above however, we are concerned that some of the data, if published, particularly without discussion or context, could be misleading to customers and could actually prove detrimental to their making informed decisions.

The VCSP appreciates the opportunity to comment on the Notice and looks forward to continuing to work with the MSRB to enhance education and information about 529 college savings programs.

Sincerely,



Mary G. Morris  
Chief Executive Officer  
Virginia College Savings Plan