529 College-Savings Plan Landscape

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Leo Acheson
Analyst
+1 312 384-5494
leo.acheson@morningstar.com

Jeff Holt, CFA
Analyst
+1 312 696-6050
jeff.holt@morningstar.com

Laura Pavlenko Lutton
Director, Equity Strategy Research
+1 312 696 6121
laura.lutton@morningstar.com

Gretchen Rupp
Analyst
+1 312 696-6329
gretchen.rupp@morningstar.com

Christina West
Analyst
+1 312 384-3786
christina.west@morningstar.com

Janet Yang, CFA
Director, Multi-Asset Class Research
+1 312 244-7270
janet.yang@morningstar.com

Executive Summary

In this year's look at the 529 college-savings plan industry, Morningstar takes a deep dive into its 529-plan evaluation process. It highlights industry best practices within the five-pillar framework of the Morningstar Analyst Rating for 529 college-savings plans: Process, People, Parent, Price, and Performance. Moreover, Morningstar studies the merits of saving for college with a 529 vehicle by comparing back-tested, aftertax results of various 529 portfolios with similarly managed open-end mutual funds. This year's topics and insights are summarized below:

- **Process:** Some plans have prudently hired talented asset allocators to design glide paths for their age-based tracks, while others use less proven ones. The majority of 529 plans continue to use fixed (stepped) glide paths in their widely used age-based portfolios, which court market-timing risk; meanwhile, virtually all target-date funds—which also change their asset allocations over time—use progressive (smoothed) glide paths.
- **People:** Most college savers have invested with well-regarded money managers. More than 70% of 529 portfolio assets are managed by firms that Morningstar rates as Positive.
- **Parent:** The governing and administrative bodies responsible for each state's 529 program run the gamut, and they include treasurer's offices, higher-education entities, and quasi-governmental agencies.
- **Price:** While 529 investment options continue to carry higher fees than their open-end mutual fund peers, the price gap has narrowed to 18 basis points in 2014 from about 40 in 2010. Nearly half of the 85 529 plans in Morningstar's database cut expense ratios in 2014.
- **Performance:** Plans with significant exposure to funds that earn medals from Morningstar's analysts and/or attractive fees have greater likelihood of outperforming over the long term.
- **Tax Benefits:** Despite the higher fees associated with 529 investments, their federal tax benefits alone make them a superior saving-for-college vehicle as compared with open-end mutual funds. For savers residing in states that offer additional tax incentives, the case for 529 investing becomes even stronger.
- **Industry Size and Growth:** 529 college-savings plans grew 9% in 2014 to $218 billion, powered almost equally by net new flows and market appreciation. Direct-sold plans expanded at a faster pace and now take 52% market share.

Overview

The 529 industry consists of college-savings plans and prepaid-tuition plans. The former serve as tax-favored means to invest money for use toward future qualified education expenses; the latter allow college savers to purchase contracts covering years of tuition or course credits. This paper focuses on 529 college-savings plans.

The industry sponsors two types of college-savings plans, direct-sold plans, where college savers can invest directly in the plan and select their own investment options, and advisor-sold plans, which are distributed through financial advisors. Many states sponsor two 529 plans so residents have an in-state option whether they invest on their own or with an advisor. Investors have no obligation to stay with their state's plan(s), and savings can be used to pay for qualified expenses at colleges across the nation.

All 529 investors skip federal taxes on growth and distributions to pay for beneficiaries' higher-education costs. About 45% of the U.S. population lives in states that offer their residents additional state-specific tax benefits for investing within the state's 529 plan, 10% enjoy state tax benefits regardless of the state 529 plan used (commonly referred to as tax-parity states), and 45% reside in states that offer no additional tax benefits (either because the state has no state income tax or no 529-specific tax benefit).

Morningstar's Five Pillars

Morningstar began providing qualitative research on 529 plans more than a decade ago. In 2010, it introduced the Morningstar Analyst Rating for 529 college-savings plans, a forward-looking rating that indicates which plans it expects to outperform peers on a risk-adjusted basis over a full market cycle. To determine an Analyst Rating, Morningstar's fund analysts evaluate each plan by examining five factors: Process, People, Parent, Price, and Performance.

This paper provides detail on how Morningstar evaluates 529 plans, aiming to promote industry best practices and help college savers pinpoint differentiators among programs. Exhibit 1 outlines the five pillars and how Morningstar uses them to rate 529 plans, providing a list of best practices and examples of plans that illustrate those practices. Among the pillars, Process, People, and Price carry significant importance. Meanwhile, a plan's Parent sets the overall tone, and Performance represents a combination of past results and future return expectations.

Exhibit 1 Morningstar Five Pillar Best Practices

Pillar	Criteria Evaluated	Best Practices	Examples
Process	The design of the plan's investment options, including the glide path followed by the age-based portfolios and the suite of investment options available.	Feature diversified age-based tracks designed by well-resourced asset allocators with strong track records running similar investments. Glide paths follow either fixed tracks with moderate steps or progressive tracks. Advisors can select from robust static lineups.	NY 529 Advisor-Guided Program hired J.P. Morgan's global multiasset group, winner of Morningstar's 2014 Allocation Fund Manager of the Year award, to manage its age-based portfolios. MD College Investment Plan's age-based progressive track, designed by T. Rowe Price, rebalances often and shifts out of equities in small increments rather than steps.
People	The underlying money managers used in the plan.	Showcase investments boasting medals from Morningstar analysts and/or investments from asset managers with Positive Parent pillar ratings.	VA CollegeAmerica and AK T. Rowe Price College Savings Plan each have more than 10 Morningstar Medalists in their lineups. AL CollegeCounts offers strong managers from a variety of firms.
Parent	The stewardship and oversight practices of those running and governing college 529 plans.	*States* Informed and engaged oversight, with staff focused solely or primarily on administering the state's 529 plan and relatively independent of political influence. *Program and Asset Managers* Attractive investment cultures with long-tenured portfolio managers, low fees, and incentive structures that align firms' interests with fund shareholders'.	*States* Ohio, Utah, and Massachusetts: 529 plans housed under entities relatively insulated from changing political tides and with staff members whose sole or primary responsibilities are centered around the state's 529 plan. *Program and Asset Managers* Vanguard, American Funds, T. Rowe Price: With their Morningstar Stewardship Grades of A, these firms have long histories of putting investors first.
Price	The cost of the plan's investment options.	Low expense ratios that are equal to or just slightly higher than (5 basis points, for example) comparable open-end funds. Scheduled reduction in program management fees as a plan's asset base increases.	SC Future Scholar (Direct) offers passive options for an average cost of 13 basis points; CA ScholarShare provides active strategies for 52 basis points. MN College Savings plan lowered fees by more than 20 basis points in 2014 following contract renegotiations.
Performance	The plan's risk-adjusted track record and forward looking return expectations.	Investments have delivered strong risk-adjusted results and appear well-equipped to repeat past successes.	VA CollegeAmerica's portfolios have an average Morningstar Rating of 3.4, the highest among advisor-sold peers, and its heavy use of Morningstar Medalists paints a bright picture for the future.

Source: Morningstar, Inc.

Process

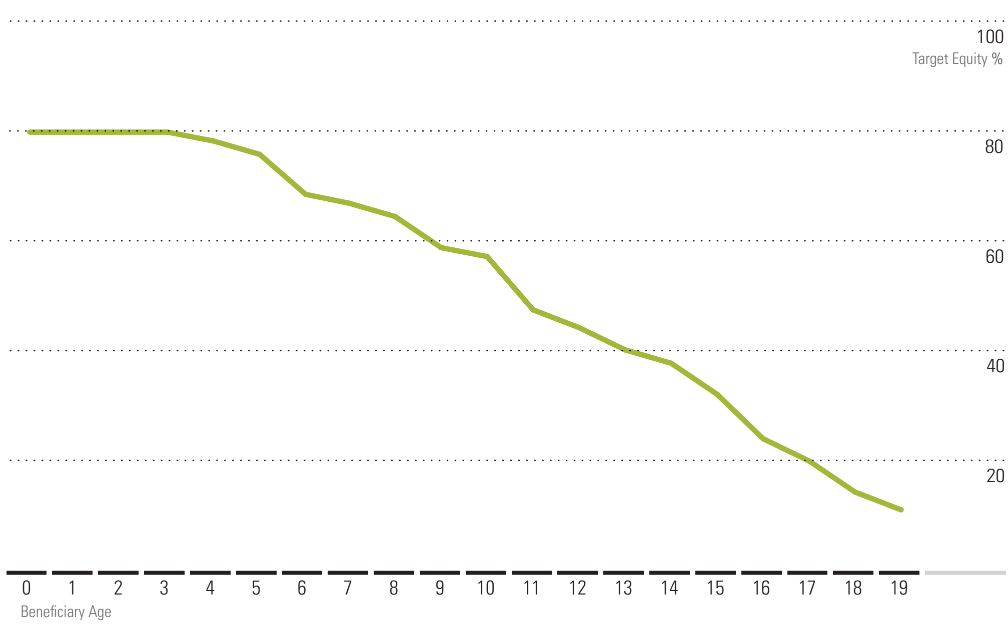
Leo Acheson
Analyst
+1 312 384-5494
leo.acheson@morningstar.com

Jeff Holt, CFA
Analyst
+1 312 696-6050
jeff.holt@morningstar.com

Morningstar considers it a best practice to hire experienced asset allocators with strong track records to design thoughtful, well-diversified glide paths for age-based options. Plans can control some market-timing risk by avoiding dramatic changes in asset allocation among the plan's age-based portfolios.

529 plans offer participants a range of investments, which Morningstar classifies into two broad groups: age-based tracks and static portfolios. The former shifts assets from primarily equities to bonds and cash as the beneficiary ages, following a glide path set by the program or investment manager; Exhibit 2 shows the industry-average glide path as of Dec. 31, 2014. The latter includes traditional stock, bond, and allocation strategies that investors can use to build their own portfolios.

Exhibit 2 Industry Average Target Equity Allocation by Beneficiary Age



Source: Morningstar, Inc. as of 12/31/2014

Age-based options have attracted the lion's share of 529 assets; thus, as part of a plan's Process rating, Morningstar emphasizes glide-path design to ensure it follows a sensible approach.

Age-Based Tracks: Glide-Path Architects

Hire Proven Asset Allocators to Build Age-Based Tracks

Many plans have hired experienced asset allocators to determine an optimal mix of investments over the life of the track. For instance, New York's 529 Program (Advisor-Guided) leverages the expertise of J.P. Morgan's global multiasset group, which assumed asset-allocation responsibility over this plan from Columbia Management in 2012 and has long managed the J.P. Morgan SmartRetirement target-date series; that series receives a Morningstar Analyst Rating of Silver, which reflects analysts' strong conviction in the asset-allocation approach underpinning the series. The team also won Morningstar's Allocation Fund Manager of the Year award for 2014. The group applies a similar approach to asset allocation and portfolio construction for the 529 plan, building a well-diversified track that includes dedicated allocations to asset classes beyond traditional stocks and bonds. This supports the plan's Positive score for the Process pillar and helps elevate the plan's overall rating to Bronze.

Similarly, T. Rowe Price's thoughtful approach in designing enrollment-based portfolios—another name for age-based portfolios—within the direct-sold Maryland College Investment Plan supports its Process score of Positive and overall Gold rating. T. Rowe Price ranks among the three largest target-date mutual fund managers, and it executes a similar approach for both target-date and 529 investors. Consistent with the target-date funds, management has the ability to tactically adjust the age-based portfolios' asset allocation, which may add risks, though the group has demonstrated a strong track record making such moves in its Gold-rated target-date series.

Creating thoughtful age-based tracks does not require experience managing target-date funds; some program managers have successfully done so by leaning on external consultants with strong asset-allocation capabilities. The Virginia College Savings Plan serves as the program manager for the direct-sold Virginia529 inVEST plan. It hired a reputable external consultant, which created a well-diversified age-based track. In addition to domestic stocks and bonds, the track incorporates an assortment of specialty asset classes not typically found in direct-sold 529 plans, including dedicated exposure to emerging markets, Treasury Inflation-Protected Securities, and global REITs. This sensible approach contributes to the plan's Positive People score and its overall Silver rating.

A simpler glide-path design that also features broad diversification is used by several plans that harness Vanguard's asset-allocation expertise, including the firm's flagship The Vanguard 529 Plan of Nevada, which has an overall rating of Gold and Positive rating for Process. The Vanguard plans feature just a handful of broad U.S. and non-U.S. index funds that provide wide-reaching exposures at a low cost.

Asset-Allocation Experience Not Always a Recipe for Success

Not all Vanguard plans are alike. New York's direct-sold College Savings Program, which uses Vanguard as an investment manager, lacks foreign equities in its age-based tracks. State officials, who are responsible for the omission, have excluded non-U.S. equities based on a perceived public preference, not an investment-based reason. Meanwhile, all of the nation's other 529 plans include non-U.S. equities in their age-based and allocation options. The plan's inadequate diversification contributes to its Process rating of Neutral.

Meanwhile, Fidelity serves as the program manager for five 529 plans from four states: Arizona, Delaware, Massachusetts, and New Hampshire. Fidelity has a target-date record that dates back to the 1990s, and the same people make asset-allocation decisions for both target-date and 529 investors. However, those at the helm have changed over the years, as has the team's process. In April 2014, portfolio managers Andrew Dierdorf and Brett Sumsion (the former has been with Fidelity since 2004, and the latter joined in January 2014) received the flexibility to tactically adjust the age-based portfolios' asset allocation. While tactical management holds intuitive appeal, consistently making additive market-timing calls tends to be a difficult proposition, and Fidelity has a limited public record with tactical calls. As such, this leeway could potentially counter the strength coming from the portfolios' largely impressive underlying investments. Given that the plan's age-based portfolios are central to investors' success, Morningstar downgraded its Process rating and Morningstar Analyst Rating to Neutral in 2014.

In some cases, management teams appear to show greater prudence running target-date funds when compared with 529 plans. For instance, American Funds included American Funds Global Balanced RGBGX as a component to the 529 age-based portfolios of Virginia's advisor-sold CollegeAmerica plan at the age-based funds' 2012 launch, about a year and a half after American Funds Global Balanced's inception. But it delayed including the fund within the American Funds Target Date Retirement series until 2015, citing a need to see a sufficient track record before doing so. This double standard is unsettling and largely explains the plan's Neutral Process score[1].

It appears that in certain cases those charged with setting a plan's age-based track simply avoid standing out from the crowd. OFI Private Investments—a subsidiary of OppenheimerFunds—serves as the program manager for New Mexico's advisor-sold Scholar's Edge 529 plan and assumes responsibility of the asset-allocation decisions. The firm has had a rocky history in that area. Oppenheimer exited the target-date fund industry in 2012 after its series fared worse than most in the 2008 economic crisis—each fund fell more than 40% that year—because of an equity-heavy glide path and ill-timed positions within a core bond strategy. The target-date series subsequently failed to gain traction. As for the New Mexico plan's age-based track, two individuals at OFI attempt to translate Oppenheimer's general views on strategic asset-allocation into portfolios, and they also run their proposals past a third-party consultant. While the plan's age-based track does not exactly match the industry average, conversations with the decision-makers suggest that they are reluctant

[1] American Funds Global Balanced's initial Morningstar Analyst Rating coverage began in June 2012 with a Bronze rating, which later increased to Silver in February 2014. Nevertheless, that American's oversight committee cited a need to wait to add the fund to the target-date retirement funds but not the 529 plan gives pause.

to veer too far from the pack. In a similar vein, they intentionally avoid esoteric asset classes to keep the design simple. The plan's age-based track is not alarming, but the construction process behind it falls well short of top-tier peers, leading to the plan's Process score of Neutral.

Age-Based Fixed Versus Age-Based Static

Age-based portfolios can follow either fixed or progressive (also known as stepped or smoothed) approaches as they rebalance portfolio assets along the asset-allocation glide path. The former can make sizable shifts from equities to bonds at predetermined dates, such as the beneficiary's birthdate, physically shifting assets from one investment option to the next one in the track. A progressive glide path uses smaller, more-frequent asset-allocation adjustments. Most 529 age-based portfolios follow the fixed technique, while similar investments for retirement savings, target-date series, use the progressive method.

Some studies have shown that, on average, the difference in performance between the two approaches is immaterial over the long haul.[2] True, the pendulum can swing both ways: An abrupt shift from equities to bonds could work to an investor's benefit if it occurs at a stock market peak; it can also be a detriment if it transpires at market trough. Still, the fixed approach courts greater market-timing risk, especially in the years shortly before the beneficiary's enrollment date, when savings balances tend to be near their peaks.

The Maryland College Investment Plan, managed by T. Rowe Price, follows a progressive method. It starts with a 100% allocation to equities and readjusts its stock stake each quarter, targeting less than a 6% shift each year until college enrollment. That method reduces the risk of buying and selling securities at inopportune times.

Elsewhere in the industry, there have been moves to shorten the distances between the asset-allocation steps in the years leading up to college. Several plans managed by TIAA-CREF have increased the number of steps to nine from six in order to more gradually dial down equity exposure in the years leading up to college and therefore reduce market-timing risk.

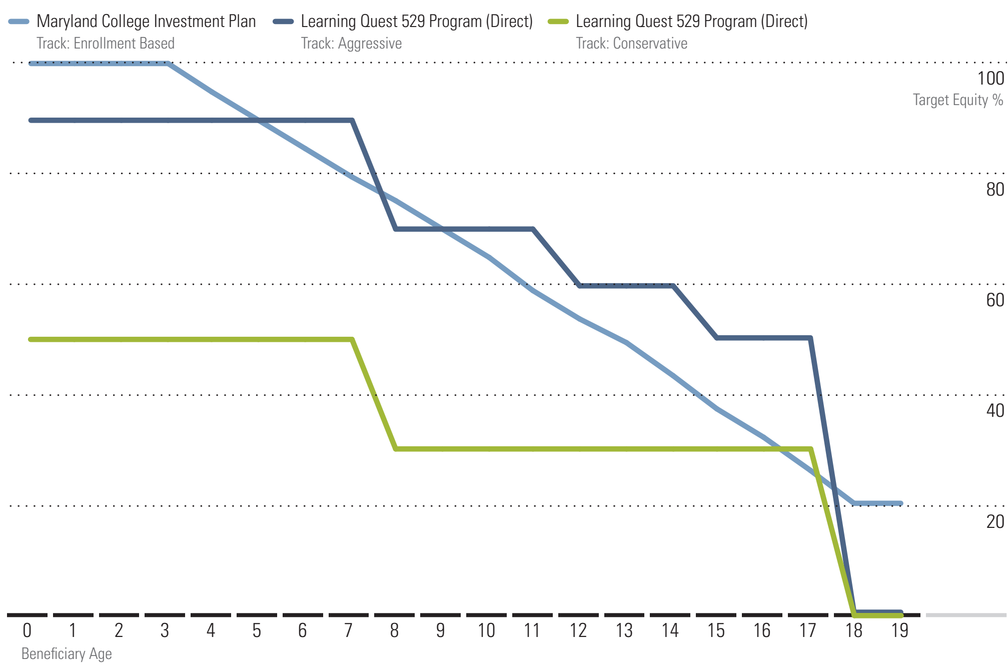
Meanwhile, Kansas' Learning Quest 529 direct-sold plan has steep steps in its glide path: When the beneficiary turns 18, it cuts equity exposure to 0% from 50% of assets in the aggressive track, from 40% in the passive track, and from 30% in the moderate and conservative tracks. That could lead to a permanent loss of capital if the markets plunged shortly before the beneficiary's 18th birthday. For instance, if the beneficiary had turned 18 at the end of 2008, the portfolio's equity stake would have tumbled in that year. The track would have then rotated out of stocks, thereby locking in losses and missing out on 2009's rebound.

[2] In 2012, Vanguard published a paper on this topic, titled "Savings and Asset Allocation Decisions in 529 Plans: Vanguard's View."

American Century is Learning Quest's program manager and glide-path architect. The same team designed the firm's target-date series for retirement plans, the One Choice series, and designed it very differently from the 529 glide path. For retirement savers, the firm emphasizes the importance of having a flat glide path to provide greater protection against the effects of untimely market shocks.

Exhibit 3 compares Maryland's glide path with the Aggressive and Conservative age-based tracks in Kansas' Learning Quest 529 direct-sold plan.

Exhibit 3 Age-Based Fixed Versus Progressive Approach Comparison



Source: Morningstar, Inc. as of 12/31/2014

In general, Morningstar holds that outsized steps invite unnecessary risk. Some plans argue that by stepping down shortly before the enrollment date, they can keep equities higher for longer and thus better keep up with tuition inflation. Still, Morningstar contends that those plans could move participants in smaller increments rather than stepping down sharply on a single date. There's no need for the 529 industry to abandon the fixed approach, but plans should use the technique in a prudent fashion to limit the risk of materially diminishing college savings shortly before investors need it.

Investment Options

In determining a plan's Process rating, Morningstar also considers the set of investment options the program offers. As shown in Exhibit 4, advisor-sold plans typically provide about 20 static options, nearly double the number offered by direct-sold plans. Indeed, advisors should have the opportunity to customize 529 portfolios to fit their clients' needs; after all, those plans charge a premium to compensate the advisors for their expertise in portfolio construction, among other areas.[3] Thus, if an advisor-sold plan lacks a robust static roster, it can negatively impact its Process rating.

For example, Illinois' Bright Start College Savings (Advisor) plan offers a paltry lineup beyond its age-based tracks: Besides two relatively tame bond portfolios, investors and their advisors may choose from three allocation portfolios (Equity, Balanced, and Fixed Income) that invest across the same menu of underlying strategies as the age-based options. In contrast, Illinois' other advisor-sold plan, Bright Directions, offers an exceptional selection of individual options, including a mix of more than 30 passive and active strategies that provide access to solid core holdings as well as niche areas of the market such as international small caps, foreign bonds, and REITs. That plan enjoys a Positive Process score and a Bronze Morningstar Analyst Rating, while Bright Start (Advisor) receives a Neutral for its Process and overall ratings, partly because of its limited lineup.

Exhibit 4 Average Number of Investment Options

	Age-Based Tracks	Static Portfolios
Advisor-Sold	1.8	19.8
Direct-Sold	2.4	10.7

Source: Morningstar, Inc. as of 12/31/2014

Direct-sold plans typically provide fewer individual options, often favoring diversified allocation strategies so that investors without the guidance of an advisor don't have to build their own portfolios. For instance, Alaska's T. Rowe Price College Savings Plan offers just six static portfolios in addition to age-based options: Two allocation strategies, two diversified equity options, one bond portfolio, and a money-market fund. Although not as common, some direct-sold programs offer a plethora of single asset-class options; investors in Alabama's CollegeCounts 529 plan can choose from more than 20 individual strategies. That potentially creates risk that investors without the counsel of an advisor will build undiversified portfolios, but it also provides do-it-yourselfers the ability to tailor their exposures. As long as they're backed by well-reasoned rationale, Morningstar views both approaches as suitable.

Exhibit 4 shows that both advisor- and direct-sold plans offer, on average, about two age-based tracks. That's largely a result of a barbell distribution: Many plans construct only one track, using

[3] For a closer look at fee differentials by distribution channel, see this year's Price section, starting on Page 20.

a glide path that reflects the investment manager's best thinking, while others offer multiple tracks, commonly in the flavors of conservative, moderate, and aggressive. Morningstar views both approaches as reasonable and does not favor one structure over the other.

People

Jeff Holt, CFA
Analyst
+1 312 696-6050
jeff.holt@morningstar.com

Plans should feature funds run by proven managers, with a preference for strategies that earn medals from Morningstar manager research analysts.

The underlying portfolios that constitute a 529 plan's age-based and static investment options play a consequential role in helping families successfully reach their college-savings goals. Thus, a plan's People rating depends heavily on the quality of the managers running those portfolios.

Most Investors Have Little Reason to Worry

Investors generally have good reason to be confident in their 529 plan's investment lineup. For the most part, multiple layers of oversight have generally kept toxic investments out of the mix, and oversight has improved since the 2008 financial crisis, when some plans were caught off guard by some investments' underperformance. Today, most 529 plans rely on managers from a select set of large, reputable firms, which in turn have a dominant presence in the 529 industry. Exhibit 5 taps into the methodology for the Morningstar Analyst Rating for mutual funds, where analysts rate the firm offering the investment as part of that methodology's Parent pillar. The table shows that four of the 529 industry's top five asset managers earn a Positive score for the Parent Pillar in Morningstar's Analyst Rating for mutual funds. In aggregate, these four money managers run roughly two thirds of 529 plan assets, and their positive Parent ratings indicate a demonstrated record of putting investors first. Meanwhile, the top 10 529 asset managers run more than 85% of the industry's assets, and none of them receive a Parent Pillar rating lower than Neutral.

Exhibit 5 Top 5 Asset Managers by Market Share

Firm Name	Morningstar Analyst Rating - Parent Pillar as of 12/31/2014	Market Share %
Vanguard	Positive	27.82
American Funds	Positive	23.49
Fidelity Investments	Positive	9.31
TIAA-CREF Mutual Funds	Neutral	6.89
T. Rowe Price	Positive	6.01
Total Market Share of Top 5 Asset Managers		73.52

Source: Morningstar, Inc. as of 12/31/2014

While few 529 plans warrant grave concern from a People perspective, quality does vary plan to plan. Morningstar Analyst Ratings award medals to mutual funds expected to add value for investors over the long term, and examining the connection between rated mutual funds and like-managed 529 portfolios helps to reveal the quality of a plan's portfolio managers. Some 529 plans rely completely on the program manager's own asset-management acumen, while others may offer a mix of investments from numerous firms; either method can produce a solid lineup.

Striking Gold at Home

American Funds serves as the program manager for Virginia's advisor-sold CollegeAmerica plan and also manages all of the plan's underlying portfolios. This Silver-rated plan's lineup is exceptional. Morningstar rates 18 of its underlying funds, and 10 of those earn ratings of Gold. This mark reflects analysts' highest conviction in the funds' potential to deliver strong results. The plan's Gold medalists include American Funds American Mutual, American Funds EuroPacific Growth, and American Funds New Perspective. Each of these funds adheres to American Funds' multimanager system, where each manager runs a separate sleeve of the portfolio. This system lessens the effect of manager turnover, but the funds' rosters generally consist of an experienced group of managers.

Similarly, Alaska's direct-sold T. Rowe Price College Savings Plan stands out while keeping assets in-house. Eleven of the plan's 12 underlying funds receive a medal from Morningstar analysts. As program manager, T. Rowe Price includes Gold medalists T. Rowe Price Mid-Cap Growth and T. Rowe Price Mid-Cap Value, run by industry veterans Brian Berghuis and David Wallack, respectively. Both have been at the helm for well over a decade on their respective funds and draw on T. Rowe Price's strong analyst team. The compelling suite of funds contributes to its Positive People score and the 529 plan's overall Morningstar Analyst Rating of Gold. In the 529 space, few, if any, plans have actively managed strategies that inspire as much confidence as T. Rowe Price or American Funds.

Collecting Medals From Outside

Some program managers have had success in looking beyond their internal capabilities and assembling a sound investment lineup of outside managers. For instance, Union Bank & Trust (based out of Lincoln, Nebraska) serves as the program manager for Alabama's advisor-sold CollegeCounts 529 Fund Advisor Plan and Illinois' advisor-sold Bright Directions College Savings Program. It draws on an external consultant's research in an attempt to select best-in-class strategies across the board. Both these plans offer solid stand-alone strategies, contributing to their Positive People grades and Bronze ratings. The Alabama plan holds eight actively managed strategies that earn medals from Morningstar analysts, including Silver medalists T. Rowe Price Institutional Large Cap Growth, DFA International Small Company, and Lazard Emerging Markets Equity. Each of these funds' longest manager tenure goes back at least a decade. Union Bank & Trust uses two of those funds in the Illinois plan, and it also includes other topnotch strategies, such as Gold-rated Dodge & Cox International Stock, Silver-rated DFA US Large Cap Value, and Silver-rated Oppenheimer International Growth.

In other instances, program managers come to a good mix by combining internally and externally managed strategies. This is the case with the direct-sold Connecticut Higher Education Trust. TIAA-CREF—the plan's longtime program manager—pairs its well-priced, proprietary index funds with actively managed strategies run by outside firms. It includes DFA Emerging Markets Core Equity and Templeton Global Bond, which earn Analyst Ratings of Silver and Gold, respectively. Seasoned DFA veterans have been executing the firm's systematic approach for the former during the past decade, while Michael Hasenstab has successfully run the latter since the end of 2001. This strong set of underlying investments drives the plan's Positive score for the People Pillar and contributes to its overall Bronze rating.

Don't Settle for Mediocrity: Avoid These Shortcomings

Not all plans boast impressive investment lineups. While it appears that program managers generally steer clear of strategies with blatant issues, 21 of the 64 529 plans that Morningstar covers receive a Neutral score for the People Pillar (none receive a Negative score).

Offering a Mixed Bag

Some plan lineups include a combination of distinguished managers and less proven ones. For example, Fidelity serves as the program manager for New Hampshire's advisor-sold Fidelity Advisor 529 Plan, and it leans considerably on run-of-the-mill proprietary strategies rather than those run by its well-recognized portfolio managers. True, the plan includes Will Danoff of Fidelity Contrafund fame—he comanages Fidelity Advisor New Insights here—and some other long-tenured portfolio managers. But a number of unproven funds hold important roles in the lineup, as well, such as Fidelity Advisor Stock Selector All Cap, Fidelity Advisor Equity Income, and Fidelity Advisor Growth Opportunities. Plus, some of Fidelity's top managers are notably absent from the roster, including Joel Tillinghast of Fidelity Low-Priced Stock. This uneven mix contributes to the plan's People score of Neutral.

Resisting Needed Change

In certain instances, program managers stick with management teams that have faced turnover or underperformance. This appears to be the case with Arizona's Ivy Funds InvestEd 529 plan. Waddell & Reed—parent of Ivy Funds—serves as the plan's program manager and has constructed a lineup using exclusively proprietary strategies, some of which have cause for concern. Ivy High Income saw two lead skippers leave the large high-yield bond strategy within the past year and a half, resulting in a Morningstar Analyst Rating of Negative, as well as a Negative People Pillar rating. (Ivy High Income is the only fund within a 529 plan that receives an overall Negative rating.) The firm has experienced other prominent portfolio manager departures that directly affect the 529 plan as well. Investors would be better served if the state or program manager pursued viable alternatives while resolving its internal issues.

Similarly, Maine's NextGen College Investing Plan Direct, rated Neutral, has anchored the fixed-income portion of its age-based tracks with three actively managed BlackRock funds that are not expected to outperform. Several of BlackRock's key actively managed strategies have struggled to distinguish themselves over the years, but the NextGen plan has not moved to unseat them for stronger options.

Changing Too Much or Too Quickly

While unforeseeable developments may rightfully spur a program manager to replace a manager's strategy within a plan, excessive churn may raise concerns with the program manager's selection process. Investors in Nevada's direct-sold USAA College Savings plan have seen a number of investment managers come and go in recent years. Program manager USAA fired Wellington and GMO as subadvisors of its USAA Growth and Income and USAA Income Stock strategies, respectively, and opted to run larger portions of those assets in-house rather than select best-in-class replacements. The shift marks a step away from the plan's legacy open-architecture structure, which was likely a draw for investors. More concerning are USAA's internal equity capabilities, which don't stand out as top-tier. USAA also recently swapped out subadvisors for other strategies, including USAA Emerging Markets and USAA Small Cap Stock. Well-regarded subadvisors such as Loomis Sayles, MFS, and Lazard run the majority of assets in the underlying equity funds, but the recent changes keep the plan's People score from rising above Neutral.

Perhaps the highest-profile manager change in the 529 industry came in 2014 with the sudden September departure of Bill Gross from PIMCO and its flagship PIMCO Total Return which was, featured in 18 separate 529 plans. States approached Gross' departure differently, some moving very quickly to replace Gross' former fund with others waiting months to evaluate the impact of his departure. In some cases, like California's ScholarShare College Savings Plan, administrators moved quickly and replaced the PIMCO fund with an arguably weaker offering, a small actively managed bond fund from program manager TIAA-CREF. In other cases, states made better choices, picking another industry-leading strategy or straightforward passive replacement. For example, Alabama's CollegeCounts 529 Fund replaced PIMCO Total Return with a bond index from Northern Trust.

Parent

Janet Yang, CFA
Director, Multi-Asset Class Research
+1 312 244-7270
janet.yang@morningstar.com

The industry's strongest 529 plans exhibit prudent care of capital by the states and program managers overseeing the plans.

Those overseeing the plan should maintain a laser-focus on creating good outcomes for college savers, as relationships with 529 plans can conceivably span 20 years or more.

Unlike the Morningstar Analyst Rating for individual mutual funds, where the Parent rating hinges on the asset manager's stewardship profile, the 529 Parent rating assesses multiple parties—the state and the entity responsible for the investments in the plan, either the program manager or asset manager. A few program managers don't manage assets, and in those cases, Morningstar analysts take into account another layer into the Parent evaluation. The recordkeeper Ascensus, which in 2013 acquired the 529 program manager formerly known as UPromise Investments, stands as the most prominent example of a program manager that doesn't manage the plan's assets. Instead, Ascensus partners with Vanguard in many of its 529 plans, and Vanguard's Positive Parent rating contributes greatly into those plans' Parent scores.

Asset Managers: Better Parent Ratings Correlate With Better Results

Asset managers demonstrate strong stewardship of capital by supporting investor-focused cultures, responsible sales practices, and stable investment management teams that invest in the funds they run. They've also demonstrated effective fund-board governance, reasonable fees, and have clean records with industry regulators. Exhibit 6 shows each 529 program manager's most widely used asset manager and groups the program managers by the Parent rating from the Morningstar Analyst Rating for mutual funds. The Parent ratings are Positive, Neutral, and Negative. The exhibit also displays some of the quantitative factors that go into the Parent ratings of these asset management firms.

When evaluating asset managers' stewardship practices, analysts look for signs of constructive investing environments where talented portfolio managers choose to stay and build their careers over the long term. It makes sense, then, that asset managers with Positive Parent ratings have longer average manager tenures and higher retention rates than those with Neutral ratings.

The 529 asset managers with Negative ratings don't fit a neat data pattern; their tenures and retention rates are actually higher than the Neutral-rated managers, on average. Qualitatively, however, each exhibits at least one serious flaw. At Waddell & Reed, for example, some of the firm's best managers have recently left and it has generally been slow to add resources despite significant asset growth, contributing to a Negative Parent rating. AllianceBernstein, meanwhile, faced a slew of performance, personnel, and reorganization challenges over the years and was rated Negative in 2014. New leadership brought encouraging signs of progress, and Morningstar upgraded the firm's Parent rating to Neutral at the beginning of 2015.

Firms with Positive Parent ratings also tend to have funds with higher manager ownership and more competitive fees than lower-rated firms, which isn't surprising since those considerations feed directly into analysts' Parent assessments. However, even though the Parent Pillar doesn't explicitly use performance in its ratings rubric, firms with better Parent ratings tend to have better-performing funds, both on an absolute and risk-adjusted basis. The 2014 Morningstar U.S. Mutual Fund Industry Stewardship Survey found similar results when looking across the broader mutual fund industry.

Exhibit 6 Firm-Level Data for Top Asset Manager by Program Manager

		Firm-Level Data for Top Asset Manager						
Program Manager	Top Asset Manager	Share of Program Manager Assets %	Morningstar Analyst Rating – Parent Pillar	Firm Average Longest Manager Tenure Years Asset-Weighted	Morningstar Five-Year Manager Retention Rate %	Firm Fund Assets with High Manager Ownership of Fund Shares %	Average Morningstar Fee Level – Distribution Percentile Rank	Morningstar Risk-Adjusted Success Ratio 5-Year
	Positive							
American Funds	American Funds	100.00	Positive	20.9	95.48	97	19	57
Ascensus	Vanguard	81.11	Positive	11.9	92.82	14	4	72
College Foundation, Inc.	Vanguard	100.00	Positive	11.9	92.82	14	4	72
College Savings Bank	Vanguard	100.00	Positive	11.9	92.82	14	4	72
Fidelity Investments	Fidelity Investments	98.80	Positive	8.9	92.10	57	35	42
First National Bank Of Omaha	Vanguard	43.25	Positive	11.9	92.82	14	4	72
Franklin Templeton Distributors Inc	Franklin Templeton Investments	95.34	Positive	15.4	95.75	61	35	37
MFS	MFS	100.00	Positive	11.2	94.37	45	47	53
NorthStar Financial Services Group, LLC	Vanguard	40.01	Positive	11.9	92.82	14	4	72
OFI Private Investments Inc	Vanguard	35.29	Positive	11.9	92.82	14	4	72
Ohio Tuition Trust Authority	Vanguard	93.12	Positive	11.9	92.82	14	4	72
Pennsylvania Treasury Department	Vanguard	100.00	Positive	11.9	92.82	14	4	72
State of Tennessee	Vanguard	57.96	Positive	11.9	92.82	14	4	72
T. Rowe Price Associates, Inc.	T. Rowe Price	84.95	Positive	11.2	94.63	30	38	75
Utah Educational Savings Plan	Vanguard	98.61	Positive	11.9	92.82	14	4	72
Vanguard Group, Inc.	Vanguard	100.00	Positive	11.9	92.82	14	4	72
Virginia College Savings Plan	Vanguard	69.82	Positive	11.9	92.82	14	4	72
			Average	**12.4**	**93.30**	**27**	**13**	**66**
			Average Excluding Duplicates	**13.3**	**94.19**	**50**	**30**	**56**

Exhibit 6 Firm-Level Data for Top Asset Manager by Program Manager (Continued)

Program Manager	Top Asset Manager	Firm-Level Data for Top Asset Manager: Share of Program Manager Assets %	Morningstar Analyst Rating – Parent Pillar	Firm Average Longest Manager Tenure Years Asset-Weighted	Morningstar Five-Year Manager Retention Rate %	Firm Fund Assets with High Manager Ownership of Fund Shares %	Average Morningstar Fee Level – Distribution Percentile Rank	Morningstar Risk-Adjusted Success Ratio 5-Year
	Neutral							
Allianz Global Investors Dist., LLC	PIMCO	52.21	Neutral	3.9	90.09	50	48	46
American Century Inv Mgt, Inc.	American Century Investments	56.66	Neutral	11.2	92.69	5	53	46
BlackRock Advisors LLC	BlackRock	85.45	Neutral	11.7	88.05	65	46	26
Columbia Management Inv Distri, Inc.	Columbia	81.27	Neutral	8.9	86.76	16	51	20
Hartford Life Insurance Company	Hartford Mutual Funds	62.46	Neutral	10.9	90.09	1	49	46
Legg Mason Global Asset Allocation, LLC	Legg Mason	88.62	Neutral	13.4	92.54	44	49	39
Merrill Lynch Pierce Fenner & Smith	BlackRock	52.07	Neutral	11.7	88.05	65	46	26
Putnam Investment Management, LLC	Putnam	79.93	Neutral	8.1	91.30	25	47	40
TIAA Tuition Financing, Inc.	TIAA-CREF Mutual Funds	80.92	Neutral	8.7	93.58	29	18	96
Union Bank & Trust Company (Lincoln, NE)	Northern Funds	23.52	Neutral	7.6	74.32	0	25	24
Voya Investment Management Co. LLC (US)	Voya	100	Neutral	8.1	87.65	0	33	43
			Average	**9.5**	**88.65**	**27**	**42**	**41**
		Average Excluding Duplicates		**9.3**	**88.71**	**24**	**42**	**43**
	Negative							
AllianceBernstein LP	AllianceBernstein	78.50	Negative	12.2	88.47	25	45	30
Waddell & Reed Inc	Waddell & Reed	100	Negative	9.9	96.51	0	69	46
			Average	**11.1**	**92.49**	**13**	**57**	**38**
	Not Rated							
Calvert Investment Management, Inc.	Calvert Investments	77.95	Not Rated	NA	NA	NA	NA	NA

Source: Morningstar, Inc. as of 12/31/2014

Exhibit 6 shows that it's not unusual for asset managers to take on the role of 529 program manager, which is the case for plans from American Funds, Fidelity, and TIAA-CREF, among others. Doing so can take away an important layer of oversight, though. American Funds, a highly regarded asset manager—and a top steward of capital—hasn't been pristine in running Virginia's advisor-sold CollegeAmerica program. As mentioned earlier, the firm added American Funds Global Balanced to the 529 plan's investment lineup at the fund's 2011 launch, though it had no track record and as the firm was amid a major redesign of its fixed-income operations. Indeed, the firm has had notable differences between the funds it used in its 529 plan's age-based options and the firm's target-date series for retirement savings. American Funds' oversight committee used American Funds Global Balanced in its age-based 529 portfolios shortly after their launch in September 2012, though the same team waited to add the fund to the firm's target-date retirement funds until 2015, citing a need to have a longer track record to fully understand the fund's place in the latter.

Other types of program managers include banks and recordkeepers, with examples such as Ascensus, First National Bank of Omaha, and Union Bank & Trust. A few states also directly take on program management duties. Virginia runs direct-sold Virginia529 inVEST on its own, hiring a bevy of investment managers. It still sticks mostly with Vanguard, which helps the plan's overall Parent assessment.

Vanguard enjoys widespread popularity among program managers, and it represents the most widely used asset managers in 12 of the 17 positively rated firms shown in Exhibit 6. As 529 plans have evolved over the years, a major trend has been to add lower-cost investment options, mainly in the form of index-based portfolios. Vanguard's inexpensive product mix and strong brand recognition have helped it to win many of those assignments in the 529 industry.

Vanguard's main shortfall, from a stewardship perspective, is its weaker manager ownership of fund shares. Indeed, portfolio managers of passively managed funds invest less overall, so it follows, then, that not as many of Vanguard's portfolio managers have more than $1 million invested in their funds, the threshold that Morningstar denotes as high manager ownership. Vanguard's low percentage of fund assets with high manager ownership—duplicated a dozen times in Exhibit 6—brings down the Positive peer-group average for high manager ownership. By the same token, Vanguard also brings down the average fee-level percentile rank with its low-cost index funds that score well in Morningstar's firmwide cost assessment. Likewise, the firm brings relative strength to the average risk-adjusted success ratio, a rate that compares the number of fund share classes at the beginning of a period with the number that outperforms the risk-adjusted peer group average. Index funds have trounced the returns of actively managed strategies in the last five years, making Vanguard look especially strong relative to other 529 peers.

Stability and Engagement Mark a Strong State Steward

Forty-eight states plus the District of Columbia represent the other half of the 529 Parent rating equation (Washington and Wyoming don't offer 529 college savings plans). The governing and administrative bodies responsible for each state's 529 program run the gamut; many reside in the treasurer's office (as is the case with New Hampshire and Illinois), others are offshoots of states' higher-education entities (Arizona, Vermont), and still others reside in semi-autonomous, quasi-governmental agencies (Massachusetts, Virginia). Morningstar analysts generally take an agnostic view on which specific entity takes the reins. The best-positioned states, though, have experienced staffs of investment overseers who are well-established in their roles and not subject to the whims of political machinations. Just because an elected official oversees a 529 plan doesn't necessarily mean that the plan will see more change in its 529 program. For example, college-savings programs in states that tend to vote consistently with certain parties would likely see less flux than in states that see more switches in leadership by party.

Similarly, multiyear contracts can make it more difficult for states to change investment providers. American Funds' 25-year contract with Virginia stands as one of the longest in the industry. Though Virginia chose a strong partner, the state has little recourse to protect 529 savers should American Funds' investment process weaken. Most contracts stand for a decade or less. In Oregon's case, it renegotiated a five-year deal with TIAA-CREF in 2013 for its direct-sold Oregon College Savings Plan, adding the option to exercise three five-year renewals (for a total contract term of 20 years). Oregon only signs at-will contracts, though, so it can cancel any of its contracts with 30 days' notice. Other five-year deals include Putnam's in Nevada.

In addition to stability, states that demonstrate informed and engaged governance of their 529 plans stand out as the strongest stewards of investor capital. Morningstar analysts have been assessing the states' 529 staff and boards for years.

The strongest state stewards, which include Massachusetts, Ohio, Utah, and Virginia, generally have staff and leadership dedicated solely to their 529 plans, and they take a hands-on approach to running their programs. Ohio, Utah, and Virginia serve as the program manager of their direct-sold 529 plans, and their industry-leading stewardship practices have produced plans with well-priced, open-architecture investment lineups.

Massachusetts uses Fidelity as its program manager, and while Morningstar's upgrade of Fidelity's Parent rating to Positive in 2013 effectively raised the Parent rating of all five of Fidelity's 529 plans to Positive, the Massachusetts U.Fund College Investing Plan already enjoyed a Positive rating prior to Fidelity's upgrade. The plan benefits from the stability of being housed under the quasi-governmental Massachusetts Educational Financing Authority, and its staff members who are specifically devoted to the 529 plan have shown a high level of engagement and knowledge of Fidelity's ongoing evolution over the years.

As shown by Massachusetts, exemplary stewardship practices can tip the scales for a plan's Parent rating. Whether the deciding factor comes from the state, the asset manager, or a combination of the two, investors stand to gain the most when they partner with those that have shown a willingness to put investors ahead of profits and politics.

States that measure up weakly in this regard tend to overly defer to asset managers—allowing them to use untested investment strategies, for example. It might be natural for some of these oversight bodies and staff to rely heavily on the asset managers, especially when staff members lack investment expertise or have a wide range of other responsibilities. Some states have effectively mitigated those concerns by using investment consultants, who usually have the resources to monitor asset managers more closely.

Price

Gretchen Rupp
Analyst
+1 312 696-6329
gretchen.rupp@morningstar.com

Morningstar awards Price Pillar ratings of Positive to plans with attractively priced investment options.

One of the best ways 529 plans can distance themselves from the competition is on price. To be sure, 529 investment options typically carry higher fees than their open-end mutual fund peers, a characteristic that's been evident since Morningstar's first 529 industry survey in 2010. But fortunately for college savers, the fee gap has narrowed, to about 18 basis points in 2014 from 40 basis points in 2010. The trend comes from a number of factors, including a growing use of low-cost passive mutual funds in both advisor- and direct-sold plans. But several 529 plans and program managers have aggressively cut expenses across all of their portfolio offerings as well. In fact, 40 of the 85 529 plans in Morningstar's database reduced fees in 2014, on average by 3.8 basis points.

Fee reductions were more significant at the direct-sold plans, where the average expense ratio dropped by 1.6 basis points. In contrast, portfolio fees decreased by less than 0.1 basis point in advisor-sold plans. Exhibit 7 illustrates the gap that still generally exists between 529 portfolio fees and their open-end counterparts.

Exhibit 7 529 Investment Option and Open-End Mutual Fund Average Total Expense Ratios

Aggressive Allocation	Actively Managed	Passively Managed
Open-End Aggressive Allocation	1.36	NA
529 Age-Based Aggressive Allocation	1.46	0.42
529 Static Aggressive Allocation	1.37	0.40

Moderate Allocation	Actively Managed	Passively Managed
Open-End Moderate Allocation	1.24	NA
529 Age-Based Moderate Allocation	1.24	0.42
529 Static Moderate Allocation	1.32	0.52

Conservative Allocation	Actively Managed	Passively Managed
Open-End Conservative Allocation	1.20	NA
529 Age-Based Conservative Allocation	1.12	0.42
529 Static Conservative Allocation	1.25	0.46

Large Value	Actively Managed	Passively Managed
Open-End Large Value	1.16	0.56
529 Large Value	1.49	0.78

Large Blend	Actively Managed	Passively Managed
Open-End Large Blend	1.21	0.59
529 Large Blend	1.37	0.54

Large Growth	Actively Managed	Passively Managed
Open-End Large Growth	1.24	0.61
529 Large Growth	1.56	0.72

Intermediate-Term Bond	Actively Managed	Passively Managed
Open-End Intermediate-Term Bond	0.90	0.40
529 Intermediate-Term Bond	1.32	0.56

Short-Term Bond	Actively Managed	Passively Managed
Open-End Short-Term Bond	0.84	0.13
529 Short-Term Bond	1.24	0.56

Source: Morningstar, Inc. as of 12/31/2014

Minnesota College Savings Plan saw the largest absolute drop in fees. This index-based plan's average expense ratio was 30% above its similar peers as of Dec. 31, 2013, but with its average 15-basis-point fee reduction in 2014, it's now in line with other 529 plans that rely heavily on passive strategies. Of course, not all plans saw fee reductions. Texas College Savings Plan increased fees by an average of about 12 basis points, while the nationally advisor-sold Alabama CollegeCounts 529 plan increased fees by 11 basis points. Total expense ratio details for each plan can be found in Appendix 1.

Exhibit 8 shows fees from a different angle and details the industry's asset-weighted expense ratio by distribution channel. This asset-weighted figure better represents what investors are actually paying since it more heavily weights those share-class fees with more assets. As Exhibit 8 shows, the asset-weighted average is lower than the straight average total expense ratio for both direct- and advisor-sold, indicating investors are choosing less expensive options among the portfolios offered.

Exhibit 8 529 Investment Options' Average Total Expense Ratios

	Average Total Expense Ratio	Asset-Weighted Total Expense Ratio	Market Share %
Advisor-Sold	**1.36**	**1.17**	—
Actively Managed	1.41	1.17	64.19
Passively Managed	0.96	0.99	1.31
Blended	1.36	1.30	6.56
Direct-Sold	**0.43**	**0.41**	—
Actively Managed	0.85	0.84	9.84
Passively Managed	0.36	0.26	11.70
Blended	0.60	0.60	6.40

Source: Morningstar, Inc. as of 12/31/2014
*Blended groups have between 20% and 80% of assets under active management

To better compare 529 expenses, Morningstar divides the 529 age-based options—some of the most ubiquitous and widely used portfolios within 529 plans—into groups based on their distribution channel and underlying investment type. Exhibit 9 dices the numbers in a few different ways to show the nuances behind the fees: In addition to showing direct- versus advisor-sold portfolios, it shows the age-based portfolios by actively and passively managed strategies, as well as those that are a blend of the two. (We defined the "blend" group as having between 20% and 80% in active management). We then found the average total expense ratio for each age-based track.

Exhibit 9 Age-Based Track Total Expense Ratio Ranges by Distribution Type

	2014			2013		
	Minimum %	Maximum %	Average %	Minimum %	Maximum %	Average %
Advisor-Sold						
Actively Managed Age-Based Tracks						
No Load	0.20	1.88	0.75	0.82	NA	NA
A Shares	0.20	2.17	1.03	0.57	1.49	1.08
C Shares	0.81	2.21	1.70	0.80	2.24	1.74
Passively Managed Age-Based Tracks						
No Load	0.16	0.65	0.46	0.59	NA	NA
A Shares	0.52	0.85	0.74	0.64	0.85	0.75
C Shares	1.39	1.60	1.50	1.39	1.60	1.50
Blended Age-Based Tracks						
No Load	0.42	1.15	0.85	NA	NA	NA
A Shares	0.67	1.51	1.08	0.42	1.51	1.06
C Shares	1.02	2.26	1.58	0.42	2.26	1.54
Direct-Sold						
Actively Managed Age-Based Tracks	0.20	1.44	0.76	0.20	1.40	0.81
Passively Managed Age-Based Tracks	0.08	0.85	0.36	0.08	0.85	0.37
Blended Age-Based Tracks	0.22	1.30	0.54	0.25	1.35	0.61

Source: Morningstar, Inc. as of 12/31/2014
*Blended groups have between 20% and 80% of assets under active management

While overall expense ratios tend to be higher for advisor-sold age-based options, direct-sold passive options show the most variation. The cheapest direct-sold passive option charged 0.08% on average, while the most expensive charged a whopping 0.85%. Since the underlying fund expenses for index-based options tend to be low, the difference in price across plans frequently comes from program management fees. These fees typically cover administrative and marketing costs, and larger plans can benefit from economies of scale to negotiate lower program management fees. For instance, the nationally direct-sold Vanguard 529 College Savings program has more than $10 billion in assets under management and charges between 0.11% and 0.27% for program management fees, resulting in all-in fees that range from 0.19% to 0.49%. In contrast, North Dakota’s $380 million plan’s program management charges range from 0.66% to 0.70%, bringing total fees for its all-index lineup to 0.85%. Still, Delaware’s $615 million plan only charges 8 basis points for program management fees and has a total average expense ratio more than 50 basis points lower than North Dakota’s. Regardless of cause, higher expenses guarantee the extent to which indexed strategies will underperform their benchmarks, so it pays for investors to be especially price-sensitive for passively managed investments.

Historically, direct-sold plans, which are dominated by index funds, tend to be the cheapest in the 529 industry, and advisor-sold plans, which rely more heavily on actively managed strategies, tend to be the most expensive on an absolute basis. However, it's useful to compare fees in the context of a more refined peer group. The Morningstar Fee Level–Distribution groups portfolios by strategic objective and distribution channel and helps investors pick the most competitively priced option within either direct-sold or advisor-sold plans. Appendix 1 provides detailed expense ratio by distribution channel.

While the Morningstar Fee Level is a useful tool for comparing portfolios with similar strategies and share classes, it doesn't hint at whether the underlying investments are actively or passively managed. For that reason, Appendix 2 further breaks down direct-sold age-based tracks by active, passive, or blend. An increasing portion of the 529 market is entirely passively managed, while active management retains a foothold in some areas (especially advisor-sold plans). Other plans have options that include a mix of active and passive management. Program managers often design these blended options in the hope that the active managers provide index-beating returns while the passive portions keep volatility in line with the market, limit manager-specific risk, and keep costs in check.

Blended options also vary dramatically in price, though this is less surprising given the range of active management in these investments. For instance, the DC College Savings Plan's age-based option is the most expensive of the direct-sold blend group, but it has a lower allocation to index funds as well as a socially responsible large-cap equity index fund (the latter's socially responsible component adds about 20 basis points over its mainline large-growth index alternative). Meanwhile, the Connecticut Higher Education Trust plan's age-based options cost less because they benefit from a hefty weighting to index funds.

Look Out for Hidden Fees

Finally, 529 plans also distinguish themselves when they eliminate one-time and annual dollar-based fees, which are disproportionately costly for savers with small balances—the lion's share of 529 accounts. These fees run the gamut, with some covering the program manager's administrative costs associated with mailing paper statements while others offset the relatively high cost of accounts with low balances. Roughly half of all 529 plans charge a maintenance fee, though some may be waived under certain circumstances, including minimum balance amounts or electronic communication selection. The average levy charged by plans with a maintenance fee is $19, although it can range as high as $30 per year, as in the case of the DC College Savings Plan. See Appendix 3 for details.

Investors' personal preferences can determine if they opt for advisor-sold or direct-sold plans, and whether to choose active management, passive management, or a blend of both. The industry's best plans offer investments that are competitively priced within each of those investment types.

Morningstar's research has demonstrated that more-expensive investments are less likely to outperform over the long term. However, if a more expensive plan also comes with generous benefits, such as state tax incentives, savings matches, outright grants, or scholarships, college savers may be sensible to invest.

Performance

Leo Acheson
Analyst
+1 312 384-5494
leo.acheson@morningstar.com

Plans with strong risk-adjusted track records and solid prospects for future outperformance earn Positive Performance ratings.

Within the 529 industry, the strongest investments have delivered strong long-term, risk-adjusted returns. Morningstar measures how investments have fared relative to expectations and similar peers, especially within the framework of risks taken. A plan's average Morningstar Rating, better known as the star rating, on 529 portfolios serves as one tool to gauge past performance. That rating compares returns of investments in the same category over three-, five-, and 10-year periods that have been load- and risk-adjusted. Those boasting superior returns in relation to volatility earn 4- and 5- star ratings; investments that have landed near the middle of the pack receive 3-star ratings; and strategies that have delivered poor risk-adjusted results garner 1- and 2- star ratings. As shown in Exhibit 10, advisor-sold plans generally have lower average star ratings than direct-sold plans because of the former's generally higher fees and sales loads.

Exhibit 10 Plan Average Overall Morningstar Rating

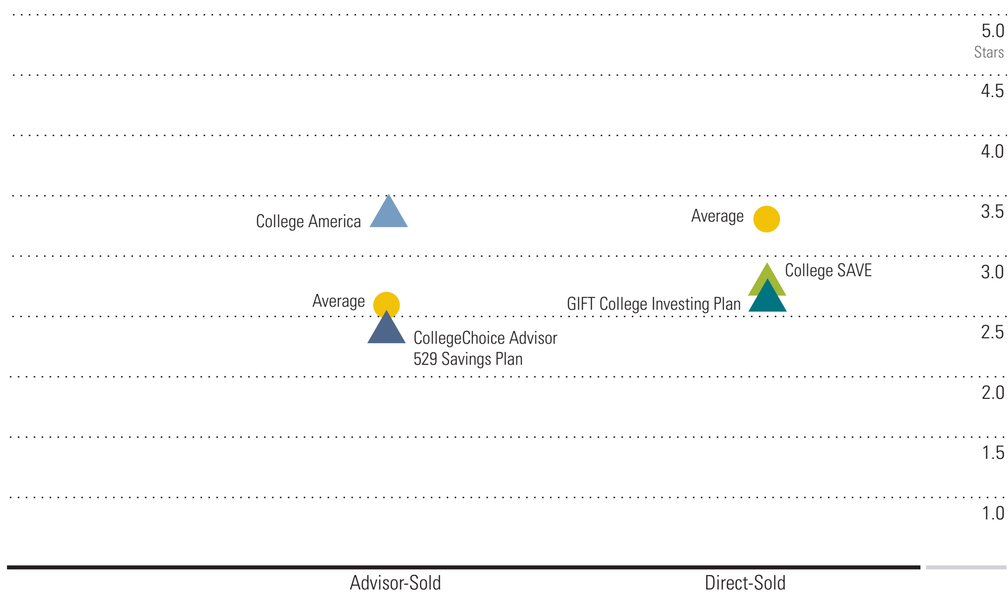
	Average Overall Morningstar Rating of Investment Options (unit = stars)		
	Plan-Level Minimum	Plan-Level Maximum	Plan-Level Average
Advisor-Sold	1.62	3.38	2.58
Direct-Sold	2.00	4.00	3.28

Source: Morningstar, Inc. as of 12/31/2014

While a plan's past performance certainly plays a role in its Performance rating, its ability to outperform going forward also carries weight. For instance, Morningstar has strong conviction that Virginia's CollegeAmerica plan will outpace competitors because of its attractive investment lineup. Highly regarded strategies from American Funds underpin the plan: 18 of the strategies used in its equity and balanced options come recommended by Morningstar analysts, with more than half earning Morningstar Analyst Ratings of Gold. Its bond offerings don't have quite as much appeal, but American Funds has recently bulked up its fixed-income resources, helping to alleviate some concerns. Indeed, the plan boasts an average star rating of 3.38, the highest among advisor-sold competitors, and it appears well equipped to repeat past successes. Thus, it earns a Positive Performance rating.

Conversely, Morningstar has identified several plans it expects to underperform. Indiana's CollegeChoice Advisor 529 Savings Plan, North Dakota's College SAVE Plan, and Arkansas' GIFT College Investing Plan each use exclusively passive strategies in their age-based tracks and thus should match their respective benchmarks before fees. However, with average price tags clocking in at 1.21%, 0.85%, and 0.75%, respectively, each plan has essentially sealed its fate of materially lagging its bogy; they're competing with other index-based plans that have average fees of 0.36%, with some as low as 0.08%. Thus, all three plans receive Negative Performance ratings. Exhibit 11 shows that, indeed, the average overall star rating for these plans has been subpar. (Indiana's plan offers significant tax benefits to in-state residents, which does not factor into its Performance score but helps the plan receive an overall rating of Bronze.)

Exhibit 11 Plan Average Overall Morningstar Rating Examples



Source: Morningstar, Inc. as of 12/31/2014

Tax Benefits

Leo Acheson
Analyst
+1 312 384-5494
leo.acheson@morningstar.com

Despite the higher fees associated with 529 investments, their federal tax benefits alone make them a superior saving-for-college vehicle as compared with open-end mutual funds.

How to Save for College: Open-End Mutual Funds Versus 529 Portfolios

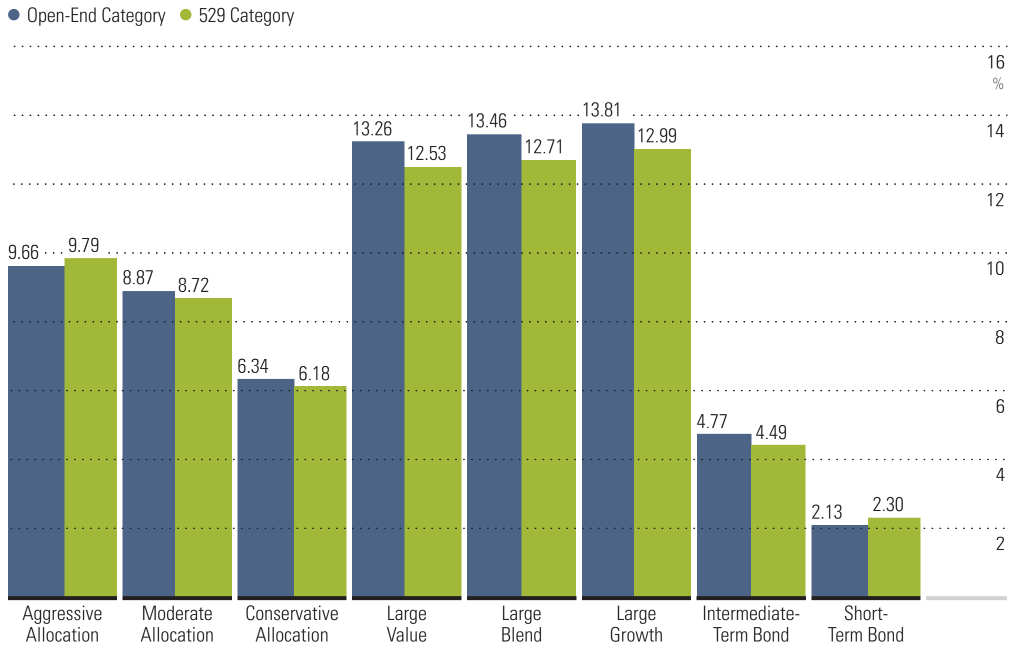
One of the first steps to saving for college is selecting the appropriate investment vehicle. Open-end mutual funds and 529 plan portfolios both have benefits and drawbacks that investors should consider. Fees remain the primary advantage of open-end funds, which on average cost 18 basis points less than comparable 529 investments. The difference in price owes largely to state-level administration and marketing costs incurred by 529 plans.[4] And while investors can access a wide range of topnotch asset managers through 529 plans, the open-end universe provides a wider selection, enticing some savers.

Meanwhile, 529 plans offer significant tax benefits, as investors escape capital gains taxes when monies are used to pay for qualified higher-education expenses. Moreover, some states offer additional incentives, often allowing residents to deduct some or all of their 529 contributions from their taxable state income.

Exhibit 12 shows that, indeed, high fees have proved to be a tough hurdle for 529 investments to overcome: During the past five years through the end of 2014, six of eight 529 categories for static investment options lagged their analogous open-end rivals. The biggest gaps occurred in the large-growth, large-value, and large-blend categories, where the typical 529 investment trailed by 73 to 82 annualized basis points. Meanwhile, 529 options fared relatively well in the short-term bond Morningstar Category, outpacing the analogous open-end fund by 17 basis points on average.

[4] For a closer look at fee differentials between open-end funds and 529 investments, see the Price section, starting on page 20.

Exhibit 12 Open-End Fund Versus 529 Investment Option 5-Year Category Average Returns (Annualized)



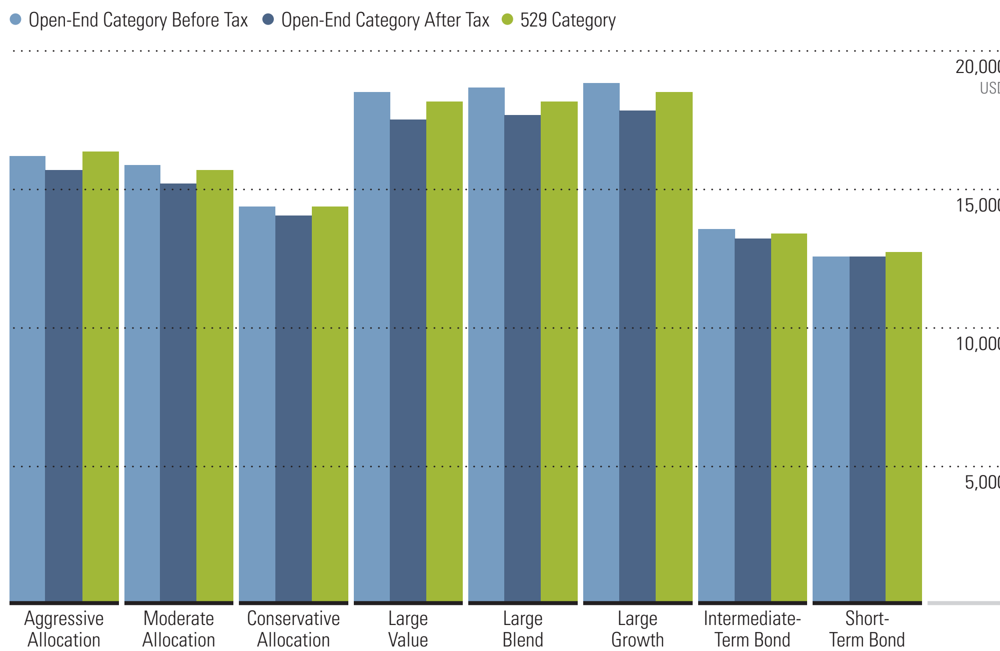
Source: Morningstar, Inc. as of 12/31/2014

Exhibit 12 doesn't account for the tax benefits associated with 529 investments, though. Morningstar ran a simulation to compare how a hypothetical investor in each vehicle would have fared on an aftertax basis during the same time period. It made the following assumptions:

- The college saver contributed $2,400 to the investment at the beginning of each of the past five years, starting in 2010. The investor then withdrew the entire balance on the first day of 2015 and used the funds for qualified higher-education expenses.
- Although open-end funds distribute capital gains annually, for simplicity's sake, Morningstar assumed the investor realized all capital gains accumulated during the entire five-year period on the first day of 2015. (Capital gain equals ending portfolio value, less $12,000 in total contributions.)
- The investor was in the 25%-35% tax bracket (that is, taxable income between $36,901-$405,750 for singles, $73,801-$457,600 for married filing jointly, and $49,401-$432,200 for heads of households) and therefore was subject to a 15% long-term capital gains tax.

The study produced unanimous results: After subtracting the capital gains tax on open-end funds' appreciation over the period, 529 investments fared better in all categories. For instance, in the large-growth category, the typical 529 investor would have $18,440 to use toward qualified expenses, compared with $17,801 for an open-end fund investor. Exhibit 13 shows the results of the study.

Exhibit 13 Simulation Results: Open-End Fund Category Versus 529 Category Ending Account Values (5-Year Investment, USD)



16,274	15,853	14,358	18,525	18,697	18,825	13,531	12,630	●
15,633	15,275	14,004	17,546	17,692	17,801	13,301	12,536	●
16,319	15,628	14,320	18,209	18,133	18,440	13,366	12,698	●

Source: Morningstar, Inc. as of 12/31/2014

Notably, the chart above only accounts for federal tax benefits (that is, avoidance of capital gains tax). For savers residing in states that offer additional tax incentives, the case for 529 investing becomes even stronger. Some states sweeten the deal even further by offering savings matches, grants, or scholarships. True, the markets have rocketed since 2010, and investors should not expect gains of similar magnitude in most five-year periods. However, college savers would ideally contribute to a 529 plan over an 18-year time horizon, over which substantial gains—and tax savings—should be realized.

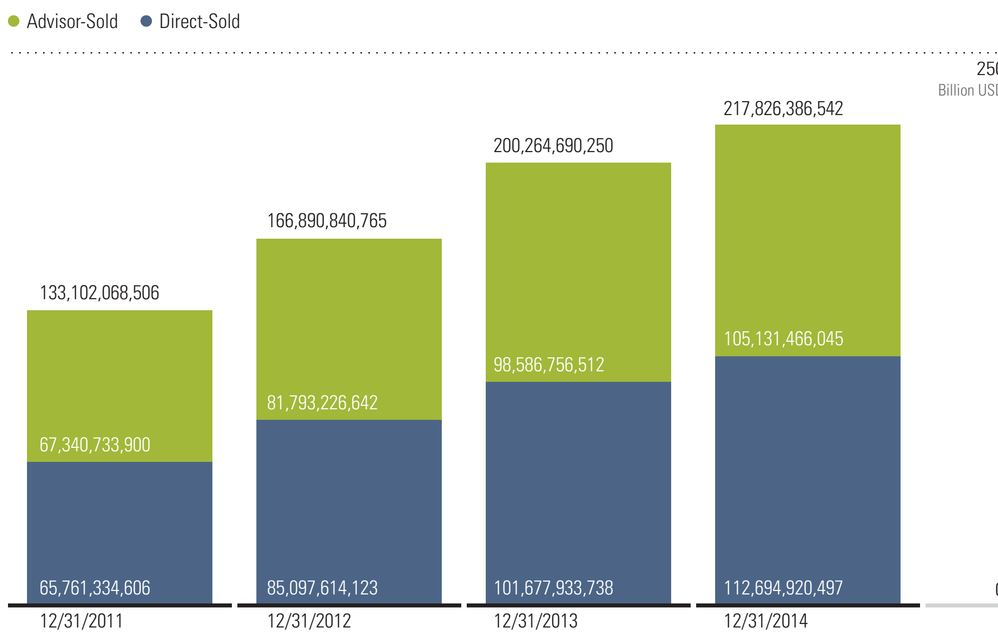
Keep in mind, Exhibit 13 specifically pertains to investors in the 25%-35% tax bracket. Those in the higher 39.6% bracket would enjoy even greater tax savings. Meanwhile, savers expected to land in the 15% or lower bracket at the beneficiary's anticipated college enrollment date, who are exempt from capital gains tax, might be better served in open-end funds, as depicted by the left-most column in each category. That's especially true for residents of states providing no additional tax benefits.

Industry Size and Growth

College-savings plans continue to see solid yet slowing growth rates.

Total assets were up 9% year over year from 2013's 20% growth, and they reached $218 billion as of 2014's end. That figure excludes the dozen or so prepaid plans from which savers purchase either years of tuition or college credits. It also leaves out Louisiana's START Saving For College plan, which has not provided asset figures to Morningstar and therefore is excluded from asset-based calculations throughout this paper.

Exhibit 14 Industry Total Assets and Market Share by Direct-Sold and Advisor-Sold Plans



Market Share %	Growth Rate %	Market Share %	Growth Rate %	Market Share %	Growth Rate %	Market Share %	Growth Rate %	
50.59	8.94	49.01	21.46	49.23	20.53	48.26	6.64	
49.41	14.52	50.99	29.40	50.77	19.48	51.74	10.84	
	11.63		25.39		20.00		8.77	Total

Source: Morningstar, Inc. as of 12/31/2014

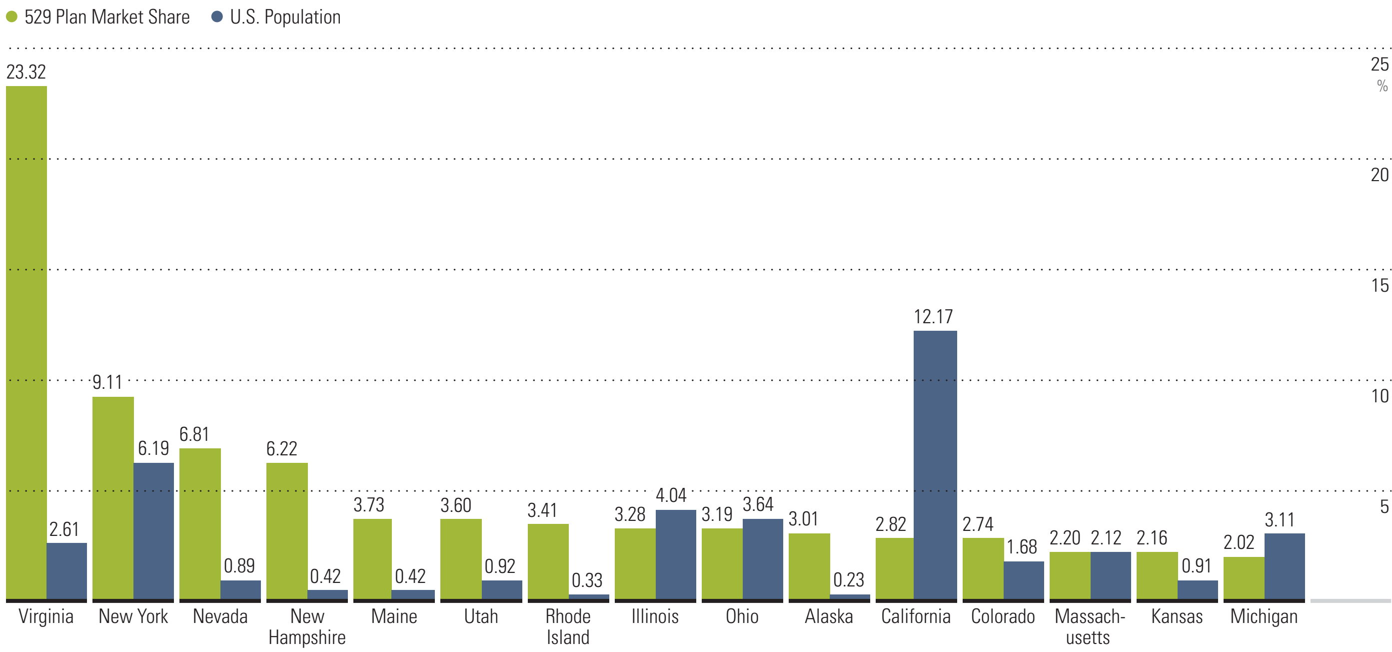
More than half of 2014's growth came from net new flows, which clocked in at $9.6 billion. That equates to a 4.8% organic growth rate, which roughly matches 2013's figure, though both mark a sizable contraction from the almost double-digit rates seen in the prior two years. Indeed, the law of large numbers connotes that the industry will expand at a slower pace as it matures. Appreciation in the stock and bond markets explains the remainder of the industry's growth in 2014, helped along by the S&P 500 and Barclays U.S. Aggregate Bond Index increases of 13.7% and 6.0%, respectively.

As has been the case in recent years, direct-sold plans are growing faster than advisor-sold plans. Direct-sold plans now seize 52% market share, and this may owe to a broader change in the wealth management industry. Many advisors have moved from commission-based to fee-based models. The latter pays advisors a fee based on the percentage of assets managed, rather than transactional commissions, incentivizing some to use generally cheaper direct-sold plans in client portfolios. Anecdotally, a number of direct-sold plans under Morningstar's analyst coverage have seen a rise in their use by advisors. Some plans, such the Utah Education Savings Plan, have built technology platforms to specifically serve their growing advisor constituency.

Assets by State

With more than $50 billion in assets, Virginia continues to command more than its fair share of the nation's 529 assets, illustrating the importance of brand names and sales reach in the college-savings industry. In fact, 11 of the top 15 states have gathered more assets than would be expected given their population. The peculiarities of 529 investments and programs include the requirement that they be sponsored by a state, so asset managers with national sales aspirations must still align themselves with at least one state.

Exhibit 15 Top 15 States by 529 Plan Market Share, Share of U.S. Population Comparison



See Appendix 4 for full list of 529 assets and market share by state.
Source: Morningstar, Inc. as of 12/31/2014

Virginia owes its industry foothold to an early and long-standing partnership with American Funds, which offers its nationally sold, advisor-centric CollegeAmerica plan through Virginia. The plan stands at $47.9 billion and remains the nation's largest 529 program. Meanwhile, New York's $16.5 billion direct-sold plan, which features Vanguard investments, has collected assets primarily from in-staters.

New Hampshire and Nevada have collected a surprising amount of money relative to their populations. Fidelity manages New Hampshire's direct- and advisor-sold plans, the latter of which is distributed through Fidelity branches nationwide. Nevada sponsors four 529 programs run by asset managers Putnam, SSgA, USAA, and Vanguard. Each of the Nevada plans is marketed across the U.S. Meanwhile, one would expect populous California to have a big plan, but it has attracted a limited amount of assets compared with its size. That state has one direct-sold plan and its residents don't receive any state tax benefits for investing in it, giving them incentive to shop around.

Assets by Program Manager

Most states hire a separate program manager to oversee their 529 plans. Typically, the program manager also serves as the asset-management company whose mutual funds make up the plan's investment options, though some partner with a money manager that in turn provides the investment choices.

American Funds only administers Virginia's CollegeAmerica plan, though it remains the largest program manager by assets. Meanwhile, Ascensus oversees 15 plans from nine different states, while TIAA runs 13 plans from 11 states. Fidelity has also established itself as a significant player in the industry, with almost $20 billion in total assets divided between five plans from four states.

Exhibit 16 Assets and Market Share by Program Manager, Distribution Channel

	Overall 529 Industry		Advisor-Sold		Direct-Sold	
Top 10 Program Managers	Assets USD	529 Plan Market Share %	Assets USD	% of Program Manager Assets	Assets USD	% of Program Manager Assets
American Funds	47,899,938,638	22.16	47,899,938,638	100.00	0	0.00
Ascensus	43,368,718,691	20.06	5,553,517,992	12.81	37,815,200,699	87.19
TIAA Tuition Financing, Inc.	22,024,988,617	10.19	2,072,828,372	9.41	19,952,160,245	90.59
Fidelity Investments	19,285,806,844	8.92	3,821,693,315	19.82	15,464,113,529	80.18
T. Rowe Price Associates, Inc.	10,563,298,476	4.89	4,142,261,120	39.21	6,421,037,356	60.79
Merrill Lynch Pierce Fenner & Smith	8,124,681,990	3.76	7,911,964,824	97.38	212,717,166	2.62
Utah Educational Savings Plan	7,838,689,994	3.63	0	0.00	7,838,689,994	100.00
OFI Private Investments Inc	7,775,269,470	3.60	3,764,577,379	48.42	4,010,692,091	51.58
AllianceBernstein LP	7,433,896,084	3.44	7,231,132,041	97.27	202,764,043	2.73
BlackRock Advisors LLC	4,700,077,291	2.17	4,700,077,291	100.00	0	0.00
Total	**179,015,366,095**	**82.8**				

Source: Morningstar, Inc. as of 12/31/2014

Morningstar Analyst Ratings for 529 College-Savings Plans

In October of each calendar year, Morningstar issues qualitative, forward-looking ratings to 529 college-savings plans known as the Morningstar Analyst Ratings for 529 College-Savings Plans. Analyst Ratings are assigned on a five-tier scale running from Gold to Negative. The top three ratings, Gold, Silver, and Bronze, all indicate that our analysts think highly of a 529 plan; the difference corresponds to the level of analyst conviction in a plan's investment options' ability to collectively outperform their respective benchmarks and peers over time, within the context of the level of risk taken and local tax benefits. The Analyst Rating seeks to evaluate each plan's investment options within the context of their objectives, appropriate benchmarks, and peer groups. Morningstar evaluates 529 plans in five different areas—Process, People, Parent, Price, and Performance—to assign an Analyst Rating for more than 60 529 plans.

Gold

These plans are our highest-conviction recommendations and stand out as best of breed for their ability to help college savers meet their goals. By giving a plan a Gold rating, we are expressing an expectation that its investment options collectively will outperform their relevant performance benchmarks and/or peer groups within the context of the level of risk taken over the long term (defined as a full market cycle or at least five years). These plans are good choices for investors who live in the states where the plans are based, and they're also good options for investors doing a nationwide search.

Silver

Plans that fall in this category have high-conviction recommendations. They have notable advantages across several, but perhaps not all, of the five pillars. With those fundamental strengths, we expect these plans' investment options will outperform their relevant performance benchmarks and/or peer groups within the context of the level of risk taken over the long term (defined as a full market cycle or at least five years). While these are worthy plans with many positive features, they are not the highest-conviction recommendations. These plans are very strong choices for in-state residents, and in some cases, they may be worthy of consideration by nonresidents.

Bronze

These plans have advantages that clearly outweigh any disadvantages across the pillars, giving us the conviction to award them a recommended rating. As is the case with any plan receiving a medal, we expect the plans' investment options to beat their relevant performance benchmarks and/or peer groups within the context of the level of risk taken over the long term (defined as a full market cycle or at least five years). Like Silver-rated plans, these plans are a fine choice for in-state residents.

Neutral

These are plans in which we don't have a strong positive or negative conviction. In our judgment, these plans' investment options aren't likely to deliver standout returns, but they aren't likely to seriously underperform their relevant performance benchmark and/or peer group, either. A promising but unproven plan may also receive this rating until we see further evidence that its investment options have the potential to outperform. Neutral-rated plans are perfectly serviceable choices for in-state residents and may even be the best choice after accounting for in-state tax benefits.

Negative

These plans possess at least one flaw that we believe is likely to significantly hamper future performance, such as high fees or an unstable management team. Because of these faults, we believe these plans' investment options are inferior to most competitors' and will likely underperform their relevant performance benchmarks and/or peer groups within the context of the level of risk taken over the long term (defined as a full market cycle or at least five years). If a state's 529 plan earns a Negative rating, investors are probably better off leaving their home state's plan and going with a Gold- or Silver-rated option.

Exhibit 17 Morningstar Analyst Ratings Issued in 2014 for 529 College-Savings Plans

			Morningstar Analyst Rating Pillar				
Morningstar Analyst Rating	State	Plan Name	Process	People	Parent	Price	Performance
Gold	AK	T. Rowe Price College Savings Plan	Positive	Positive	Positive	Neutral	Positive
	MD	Maryland College Investment Plan	Positive	Positive	Positive	Neutral	Positive
	NV	The Vanguard 529 College Savings Plan	Positive	Positive	Positive	Positive	Positive
	UT	Utah Educational Savings Plan	Positive	Positive	Positive	Positive	Positive
Silver	MI	Michigan Education Savings Program	Neutral	Neutral	Positive	Positive	Positive
	OH	CollegeAdvantage 529 Savings Plan	Positive	Positive	Positive	Positive	Positive
	VA	CollegeAmerica	Neutral	Positive	Positive	Positive	Positive
	VA	Virginia529 inVEST	Positive	Positive	Positive	Neutral	Neutral
Bronze	AL	CollegeCounts 529 Fund	Positive	Positive	Positive	Neutral	Neutral
	AL	CollegeCounts 529 Fund Advisor Plan	Positive	Positive	Positive	Neutral	Neutral
	AR	iShares 529 Plan	Positive	Positive	Neutral	Neutral	Neutral
	CA	ScholarShare College Savings Plan	Positive	Positive	Positive	Positive	Neutral
	CO	CollegeInvest Direct Portfolio	Positive	Positive	Positive	Neutral	Positive
	CT	Connecticut Higher Education Trust	Neutral	Positive	Neutral	Positive	Neutral
	GA	Path2College 529 Plan	Neutral	Neutral	Neutral	Neutral	Positive
	IA	College Savings Iowa 529 Plan	Positive	Positive	Positive	Neutral	Positive
	IL	Bright Directions Coll Savings Program	Positive	Positive	Neutral	Neutral	Neutral
	IL	Bright Start College Savings (Direct)	Positive	Positive	Neutral	Positive	Positive
	IN	CollegeChoice 529 Direct Savings Plan	Positive	Positive	Neutral	Negative	Neutral
	IN	CollegeChoice Advisor 529 Savings Plan	Positive	Positive	Neutral	Negative	Negative
	NE	NEST Advisor College Savings Plan	Neutral	Positive	Neutral	Positive	Neutral
	NE	NEST Direct College Savings Plan	Neutral	Positive	Neutral	Neutral	Neutral
	NV	USAA College Savings Plan	Positive	Neutral	Neutral	Neutral	Neutral
	NY	New York's 529 Program (Advisor-Guided)	Positive	Positive	Neutral	Neutral	Neutral
	NY	New York's 529 Program (Direct)	Neutral	Positive	Neutral	Positive	Positive
	OR	MFS 529 Savings Plan	Positive	Positive	Positive	Negative	Neutral
	SC	Future Scholar 529 (Advisor)	Neutral	Positive	Neutral	Positive	Neutral
	SC	Future Scholar 529 (Direct)	Neutral	Positive	Neutral	Positive	Neutral
	WI	Edvest 529 Plan	Neutral	Positive	Neutral	Positive	Neutral

Exhibit 17 Morningstar Analyst Ratings Issued in 2014 for 529 College-Savings Plans (Continued)

			Morningstar Analyst Rating Pillar				
Morningstar Analyst Rating	State	Plan Name	Process	People	Parent	Price	Performance
Neutral	AK	John Hancock Freedom 529	Positive	Positive	Positive	Negative	Neutral
	AR	GIFT College Investing Plan	Positive	Positive	Positive	Negative	Negative
	AZ	Fidelity Arizona College Savings Plan	Neutral	Positive	Positive	Neutral	Neutral
	CO	Scholars Choice College Savings Program	Neutral	Neutral	Neutral	Positive	Neutral
	DE	Delaware College Investment Plan	Neutral	Positive	Positive	Neutral	Neutral
	FL	Florida 529 Savings Plan	Neutral	Neutral	Neutral	Positive	Neutral
	IA	IAdvisor 529 Plan	Positive	Neutral	Neutral	Negative	Neutral
	ID	IDeal - Idaho College Savings Program	Positive	Positive	Positive	Negative	Neutral
	IL	Bright Start College Savings (Advisor)	Neutral	Neutral	Neutral	Positive	Neutral
	KS	LearningQuest 529 Program (Direct)	Neutral	Positive	Neutral	Neutral	Neutral
	MA	U.Fund College Investing Plan	Neutral	Positive	Positive	Neutral	Neutral
	ME	NextGen College Investing Plan Direct	Neutral	Neutral	Neutral	Neutral	Neutral
	ME	NextGen College Investing Plan Select	Neutral	Neutral	Neutral	Neutral	Neutral
	MN	Minnesota College Savings Plan	Neutral	Neutral	Neutral	Neutral	Neutral
	MO	MOST Missouri's 529 Plan	Positive	Positive	Positive	Neutral	Neutral
	NC	National College Savings Program	Positive	Positive	Neutral	Neutral	Neutral
	ND	College SAVE	Positive	Positive	Positive	Negative	Negative
	NE	TD Ameritrade 529 College Savings Plan	Neutral	Positive	Neutral	Negative	Neutral
	NH	Fidelity Advisor 529 Plan	Neutral	Neutral	Positive	Neutral	Neutral
	NH	UNIQUE College Investing Plan	Neutral	Positive	Positive	Neutral	Neutral
	NJ	Franklin Templeton 529 Coll Savings Plan	Neutral	Positive	Neutral	Negative	Neutral
	NJ	NJBEST 529 College Savings Plan	Neutral	Positive	Neutral	Neutral	Positive
	NM	Scholar's Edge	Neutral	Neutral	Neutral	Neutral	Neutral
	NV	Putnam 529 for America	Neutral	Neutral	Neutral	Neutral	Neutral
	NV	SSgA Upromise 529 Plan	Neutral	Neutral	Neutral	Negative	Neutral
	OH	BlackRock CollegeAdvantage 529 Plan	Neutral	Neutral	Neutral	Negative	Neutral
	OK	Oklahoma College Savings Plan	Neutral	Neutral	Neutral	Negative	Neutral
	OR	Oregon College Savings Plan	Neutral	Neutral	Neutral	Positive	Neutral
	PA	Pennsylvania 529 Investment Plan	Positive	Positive	Positive	Neutral	Positive
	VT	Vermont Higher Education Investment Plan	Neutral	Neutral	Neutral	Negative	Neutral
	WI	Tomorrow's Scholar 529 Plan	Positive	Neutral	Neutral	Neutral	Neutral
	WV	The Hartford SMART529	Positive	Neutral	Neutral	Negative	Neutral
Negative	AZ	Ivy Funds InvestEd 529 Plan	Neutral	Neutral	Negative	Neutral	Neutral
	KS	Schwab 529 College Savings Plan	Neutral	Positive	Neutral	Negative	Neutral
	SD	CollegeAccess 529	Neutral	Positive	Neutral	Negative	Neutral

Source: Morningstar, Inc. as of 12/31/2014

Appendix 1 Plan Average Total Expense Ratios and Fee Levels

			2014		2013	
State	Plan Name	Sales Channel	Average Total Expense Ratio %	Average Morningstar Fee Level – Distribution Percentile Rank	Average Total Expense Ratio %	Average Morningstar Fee Level – Distribution Percentile Rank
SC	Future Scholar 529 (Direct)	Direct	0.12	3	0.13	4
LA	The Louisiana START Saving For College	Direct	0.14	4	n/a	n/a
NY	New York's 529 Program (Direct)	Direct	0.17	5	0.17	4
UT	Utah Educational Savings Plan	Direct	0.21	15	0.21	13
NV	The Vanguard 529 College Savings Plan	Direct	0.24	17	0.26	20
MI	Michigan Education Savings Program	Direct	0.22	18	0.25	21
AR	iShares 529 Plan	Advisor	0.58	19	0.59	17
NE	NEST Advisor College Savings Plan	Advisor	1.14	22	1.14	21
IA	College Savings Iowa 529 Plan	Direct	0.26	24	0.28	25
VA	CollegeAmerica	Advisor	1.15	24	1.19	24
MN	Minnesota College Savings Plan	Direct	0.25	25	0.41	48
WI	Edvest 529 Plan	Direct	0.26	25	0.25	20
IL	Bright Start College Savings (Advisor)	Advisor	0.84	26	0.84	22
SC	Future Scholar 529 (Advisor)	Advisor	1.22	26	1.25	28
RI	CollegeBoundfund Direct	Direct	0.35	28	0.40	31
CA	ScholarShare College Savings Plan	Direct	0.33	30	0.36	34
NE	State Farm College Savings Plan	Advisor	1.07	30	1.04	26
OH	CollegeAdvantage 529 Savings Plan	Direct	0.33	34	0.33	32
RI	CollegeBoundfund	Advisor and Direct	1.06	34	1.12	33
WV	SMART529 WV Direct College Savings Plan	Direct	0.35	37	0.35	35
MO	MOST Missouri's 529 Plan	Direct	0.35	38	0.35	36
IN	CollegeChoice Advisor 529 Savings Plan	Advisor	1.32	38	1.32	36
GA	Path2College 529 Plan	Direct	0.31	39	0.34	40
AL	CollegeCounts 529 Fund	Direct	0.36	39	0.37	38
VA	Virginia529 inVEST	Direct	0.43	41	0.43	39
CO	Scholars Choice College Savings Program	Advisor	1.23	41	1.23	38
IL	Bright Start College Savings (Direct)	Direct	0.41	42	0.41	41
ME	NextGen College Investing Plan Select	Advisor	1.34	42	1.45	55
MO	MOST 529 Advisor Plan	Advisor	1.45	46	1.46	45
NC	National College Savings Program	Direct	0.38	48	0.38	45
KS	Schwab 529 College Savings Plan	Direct	0.74	48	0.92	83
IL	Bright Directions College Savings Program	Advisor	1.18	48	1.15	47
TN	TNStars College Saving 529 Program	Direct	0.42	49	0.41	46
ME	NextGen College Investing Plan Direct	Direct	0.44	49	0.51	57
WI	Tomorrow's Scholar 529 Plan	Advisor	1.36	49	1.33	46

Appendix 1 Plan Average Total Expense Ratios and Fee Levels (Continued)

State	Plan Name	Sales Channel	2014 Average Total Expense Ratio %	2014 Average Morningstar Fee Level - Distribution Percentile Rank	2013 Average Total Expense Ratio %	2013 Average Morningstar Fee Level – Distribution Percentile Rank
NH	Fidelity Advisor 529 Plan	Advisor	1.57	49	1.60	51
CO	CollegeInvest Direct Portfolio	Direct	0.39	50	0.46	55
CT	Connecticut Higher Education Trust	Direct	0.40	50	0.40	47
PA	Pennsylvania 529 Investment Plan	Direct	0.40	51	0.40	49
OR	Oregon College Savings Plan	Direct	0.43	52	0.43	50
NM	Scholar's Edge	Advisor	1.53	52	1.52	52
NM	The Education Plan	Direct	0.50	54	0.50	52
VT	Vermont Higher Education Investment Plan	Direct	0.46	55	0.51	57
NE	NEST Direct College Savings Plan	Direct	0.48	55	0.48	53
OH	BlackRock CollegeAdvantage 529 Plan	Advisor	1.22	56	1.27	60
WV	The Hartford SMART529	Advisor	1.45	56	1.47	55
NJ	Franklin Templeton 529 College Savings Plan	Advisor	1.55	59	1.74	80
IN	CollegeChoice 529 Direct Savings Plan	Direct	0.51	60	0.50	58
OK	Oklahoma College Savings Plan	Direct	0.52	60	0.58	62
AZ	Ivy Funds InvestEd 529 Plan	Advisor	1.25	60	1.25	60
KS	Learning Quest 529 Program (Direct)	Direct	0.58	61	0.61	62
AZ	Fidelity Arizona College Savings Plan	Direct	0.68	61	0.68	59
AL	CollegeCounts 529 Fund Advisor Plan	Advisor	1.44	61	1.34	50
NV	SSgA Upromise 529 Plan	Direct	0.54	62	0.54	60
NH	UNIQUE College Investing Plan	Direct	0.68	62	0.68	59
DE	Delaware College Investment Plan	Direct	0.69	62	0.68	59
MI	MI 529 Advisor	Advisor	1.47	62	1.48	61
NV	Putnam 529 for America	Advisor	1.53	62	1.57	57
KY	Kentucky Education Savings Plan Trust	Direct	0.59	63	0.59	61
MA	U.Fund College Investing Plan	Direct	0.68	64	0.68	62
CT	CHET Advisor College Savings Plan	Advisor	1.37	66	1.37	64
NY	New York's 529 Program (Advisor-Guided)	Advisor	1.35	67	1.35	63
OK	OklahomaDream529	Advisor	1.51	67	1.51	67
MS	Mississippi Affordable (Direct)	Direct	0.62	68	0.62	67
SD	CollegeAccess 529	Advisor and Direct	1.55	68	1.55	67
FL	Florida 529 Savings Plan	Direct	0.66	69	0.71	74
NE	TD Ameritrade 529 College Savings Plan	Direct	0.68	72	0.68	71
AK	T. Rowe Price College Savings Plan	Direct	0.68	73	0.75	74
AK	University of Alaska College Savings Plan	Direct	0.68	73	0.76	76
MD	Maryland College Investment Plan	Direct	0.69	73	0.76	76

Appendix 1 Plan Average Total Expense Ratios and Fee Levels (Continued)

			2014		2013	
State	Plan Name	Sales Channel	Average Total Expense Ratio %	Average Morningstar Fee Level - Distribution Percentile Rank	Average Total Expense Ratio %	Average Morningstar Fee Level – Distribution Percentile Rank
OR	MFS 529 Savings Plan	Advisor	1.78	74	1.78	73
NJ	NJBEST 529 College Savings Plan	Direct	0.71	75	0.80	82
TX	LoneStar 529 Plan	Advisor	1.70	77	1.61	71
WV	SMART529 Select College Savings Plan	Direct	0.74	78	0.74	76
TX	Texas College Savings Plan	Direct	0.73	80	0.61	68
AR	GIFT College Investing Plan	Direct	0.75	80	0.75	79
HI	HI529 - Hawaii's College Savings Program	Direct	0.75	81	0.75	80
KS	Learning Quest 529 Program (Advisor)	Advisor	1.60	81	1.62	84
AK	John Hancock Freedom 529	Advisor	1.85	81	1.88	83
MT	MFESP Investment Plan	Direct	0.86	86	0.86	84
ID	IDeal - Idaho College Savings Program	Direct	0.82	87	0.82	85
DC	DC College Savings Program	Advisor and Direct	1.13	87	1.20	88
IA	IAdvisor 529 Plan	Advisor	1.81	87	1.80	88
ND	College SAVE	Direct	0.85	90	0.85	87
NV	USAA College Savings Plan	Direct	0.88	92	0.88	92

Source: Morningstar, Inc. as of 12/31/2014

Appendix 2 Average Total Expense Ratios by Age-Based Track, Direct-Sold

State	Plan Name	Track Name	Average Total Expense Ratio %	Average Morningstar Fee Level - Distribution Percentile Rank
Direct-Sold Actively Managed Age-Based Tracks				
CA	ScholarShare College Savings Plan	Active Age-Based	0.52	60
ME	NextGen College Investing Plan Direct	BR Age-Based	0.62	68
SD	CollegeAccess 529	Age-Based	0.63	69
NJ	NJBEST 529 College Savings Plan	Conservative	0.64	70
FL	Florida 529 Savings Plan	Age-Based	0.71	76
WV	SMART529 Select College Savings Plan	Age-Based	0.74	78
NJ	NJBEST 529 College Savings Plan	Moderate	0.74	80
NJ	NJBEST 529 College Savings Plan	Growth	0.80	85
KS	Schwab 529 College Savings Plan	Age-based Moderate Conservative	0.83	86
AZ	Fidelity Arizona College Savings Plan	Age-Based Active	0.86	87
DE	Delaware College Investment Plan	Age-Based Active	0.89	87
MA	U.Fund College Investing Plan	Age-Based Active	0.86	87
NH	UNIQUE College Investing Plan	Age-Based Active	0.87	87
KS	Schwab 529 College Savings Plan	Age-Based Moderate	0.92	88
NV	USAA College Savings Plan	Age-Based	0.89	90
KS	Schwab 529 College Savings Plan	Aggressive	1.08	91
KS	Schwab 529 College Savings Plan	Age-based Moderate Aggressive	1.09	94
AZ	Fidelity Arizona College Savings Plan	Age-Based Multifirm	1.27	98
DE	Delaware College Investment Plan	Age-Based Multifirm	1.30	98
MA	U.Fund College Investing Plan	Age-Based Multifirm	1.27	98
NH	UNIQUE College Investing Plan	Age-Based Multifirm	1.27	99
Direct-Sold Blended Age-Based Tracks				
TN	TNStars College Saving 529 Program	Age Based Option	0.35	43
CT	Connecticut Higher Education Trust	Aggressive	0.39	49
CT	Connecticut Higher Education Trust	Moderate	0.40	52
CT	Connecticut Higher Education Trust	Conservative	0.41	54
NE	NEST Direct College Savings Plan	Conservative	0.43	54
OH	CollegeAdvantage 529 Savings Plan	Advantage Age-Based	0.43	55
NE	NEST Direct College Savings Plan	Growth	0.46	57
VA	Virginia529 inVEST	Age-Based	0.53	57
NE	NEST Direct College Savings Plan	Aggressive	0.47	58
KS	Learning Quest 529 Program (Direct)	Conservative	0.56	59

Appendix 2 Average Total Expense Ratios by Age-Based Track, Direct-Sold (Continued)

State	Plan Name	Track Name	Average Total Expense Ratio %	Average Morningstar Fee Level - Distribution Percentile Rank
Direct-Sold Blended Age-Based Tracks (continued)				
KS	Learning Quest 529 Program (Direct)	Moderate	0.61	66
IL	Bright Start College Savings (Direct)	Age-Based Active	0.62	68
NE	TD Ameritrade 529 College Savings Plan	Conservative	0.66	72
NM	The Education Plan	Age-Based	0.67	73
NE	TD Ameritrade 529 College Savings Plan	Aggressive	0.66	73
NE	TD Ameritrade 529 College Savings Plan	Growth	0.67	73
KS	Learning Quest 529 Program (Direct)	Aggressive	0.70	74
MD	Maryland College Investment Plan	Enrollment Based	0.73	77
AK	T. Rowe Price College Savings Plan	Enrollment Based	0.75	77
AK	University of Alaska Coll Savings Plan	Enrollment Based	0.75	77
TX	Texas College Savings Plan	Age-Based Active	0.84	89
DC	DC College Savings Program	Age-Based	1.09	93
Direct-Sold Passively Managed Age-Based Tracks				
SC	Future Scholar 529 (Direct)	Conservative Track	0.10	1
SC	Future Scholar 529 (Direct)	Moderate Track	0.11	1
SC	Future Scholar 529 (Direct)	Aggressive Track	0.13	2
RI	CollegeBoundfund	Age-Based Morningstar Index	0.16	3
NY	New York's 529 Program (Direct)	Aggressive	0.17	4
NY	New York's 529 Program (Direct)	Conservative	0.17	4
NY	New York's 529 Program (Direct)	Moderate	0.17	4
CA	ScholarShare College Savings Plan	Passive Age-Based	0.18	7
NV	The Vanguard 529 College Savings Plan	Aggressive	0.19	7
NV	The Vanguard 529 College Savings Plan	Conservative	0.19	7
NV	The Vanguard 529 College Savings Plan	Moderate	0.19	7
RI	CollegeBoundfund	Age-Based Conservative	0.20	8
RI	CollegeBoundfund	Age-Based Moderate	0.20	8
UT	Utah Educational Savings Plan	Customized Age-Based	0.20	10
RI	CollegeBoundfund Direct	Age-Based Conservative	0.20	10
RI	CollegeBoundfund Direct	Age-Based Aggressive	0.20	10
RI	CollegeBoundfund Direct	Age-Based Moderate	0.20	10
IL	Bright Start College Savings (Direct)	Age-Based Index	0.20	11
KS	Schwab 529 College Savings Plan	Age-based Moderate Aggressive	0.56	12
UT	Utah Educational Savings Plan	Age-Based Aggressive Domestic	0.21	13
UT	Utah Educational Savings Plan	Age-Based Conservative	0.21	15
UT	Utah Educational Savings Plan	Age-Based Aggressive Global	0.22	16
UT	Utah Educational Savings Plan	Age-Based Moderate	0.22	16
MI	Michigan Education Savings Program	Conservative Option	0.22	17
MI	Michigan Education Savings Program	Moderate Option	0.23	20

Appendix 2 Average Total Expense Ratios by Age-Based Track, Direct-Sold (Continued)

State	Plan Name	Track Name	Average Total Expense Ratio %	Average Morningstar Fee Level - Distribution Percentile Rank
Direct-Sold Passively Managed Age-Based Tracks (continued)				
OH	CollegeAdvantage 529 Savings Plan	Age-Based Aggressive	0.24	21
MI	Michigan Education Savings Program	Aggressive Option	0.24	22
OH	CollegeAdvantage 529 Savings Plan	Age-Based Moderate	0.24	22
WI	Edvest 529 Plan	Aggressive Age-Based Option	0.25	23
OH	CollegeAdvantage 529 Savings Plan	Age-Based Conservative	0.26	24
IA	College Savings Iowa 529 Plan	Aggressive Growth	0.26	26
IA	College Savings Iowa 529 Plan	Conservative Growth	0.26	26
IA	College Savings Iowa 529 Plan	Growth	0.26	26
IA	College Savings Iowa 529 Plan	Moderate Growth	0.26	26
AZ	Fidelity Arizona College Savings Plan	Age-Based Index	0.26	27
DE	Delaware College Investment Plan	Age-Based Index	0.27	28
NH	UNIQUE College Investing Plan	Age-Based Index	0.27	28
WI	Edvest 529 Plan	Age-Based Option	0.27	29
MN	Minnesota College Savings Plan	Age-Based	0.28	30
MA	U.Fund College Investing Plan	Age-Based Index	0.27	30
MO	MOST Missouri's 529 Plan	Conservative	0.31	35
ME	NextGen College Investing Plan Direct	iShares Age-Based	0.31	35
AL	CollegeCounts 529 Fund	Aggressive	0.32	36
MO	MOST Missouri's 529 Plan	Aggressive	0.32	36
MO	MOST Missouri's 529 Plan	Moderate	0.32	36
AL	CollegeCounts 529 Fund	Moderate	0.32	37
GA	Path2College 529 Plan	Aggressive Managed Option	0.32	39
AL	CollegeCounts 529 Fund	Conservative	0.33	39
NM	The Education Plan	Age-Based Index	0.34	41
GA	Path2College 529 Plan	Managed Option	0.34	41
WV	SMART529 WV Direct College Savings Plan	Age-Based	0.37	43
NC	National College Savings Program	Moderate	0.38	46
NC	National College Savings Program	Aggressive	0.37	46
PA	Pennsylvania 529 Investment Plan	Aggressive	0.38	47
OR	Oregon College Savings Plan	Age-Based	0.39	48
NC	National College Savings Program	Conservative	0.39	48
NE	NEST Direct College Savings Plan	Index	0.39	48
CO	CollegeInvest Direct Portfolio	Age-Based Conservative	0.39	49
CO	CollegeInvest Direct Portfolio	Age-Based Moderate	0.39	49
CO	CollegeInvest Direct Portfolio	Age-Based Aggressive	0.39	49
PA	Pennsylvania 529 Investment Plan	Moderate	0.39	50
PA	Pennsylvania 529 Investment Plan	Conservative	0.40	51

Appendix 2 Average Total Expense Ratios by Age-Based Track, Direct-Sold (Continued)

State	Plan Name	Track Name	Average Total Expense Ratio %	Average Morningstar Fee Level - Distribution Percentile Rank
Direct-Sold Passively Managed Age-Based Tracks (continued)				
KS	Learning Quest 529 Program (Direct)	Index	0.42	52
VT	Vermont Higher Education Investment Plan	Age-Based	0.45	56
OK	Oklahoma College Savings Plan	Aggressive	0.50	60
NV	SSgA Upromise 529 Plan	College	0.51	60
OK	Oklahoma College Savings Plan	Moderate	0.52	61
OK	Oklahoma College Savings Plan	Conservative	0.54	63
KS	Schwab 529 College Savings Plan	Age-Based Aggressive	0.55	63
KS	Schwab 529 College Savings Plan	Age-Based Conservative	0.55	63
KS	Schwab 529 College Savings Plan	Age-Based Moderate	0.55	63
KS	Schwab 529 College Savings Plan	Age-based Moderate Conservative	0.55	63
IN	CollegeChoice 529 Direct Savings Plan	Age-Based	0.56	64
KY	Kentucky Education Savings Plan Trust	Age-Based	0.60	66
NE	TD Ameritrade 529 College Savings Plan	Index	0.59	66
TX	Texas College Savings Plan	Age-Based Index	0.61	69
MS	Mississippi Affordable (Direct)	Age-Based	0.67	73
AR	GIFT College Investing Plan	Age-Based Conservative	0.75	80
AR	GIFT College Investing Plan	Age-Based Moderate	0.75	80
HI	HI529 - Hawaii's College Savings Program	Age-Based	0.75	80
AR	GIFT College Investing Plan	Age-Based Aggressive	0.75	81
ID	IDeal - Idaho College Savings Program	Moderate	0.81	87
ID	IDeal - Idaho College Savings Program	Aggressive	0.81	87
ID	IDeal - Idaho College Savings Program	Conservative	0.82	88
ND	College SAVE	Moderate	0.85	89
ND	College SAVE	Conservative	0.85	89
ND	College SAVE	Aggressive	0.85	90

*Blended groups have between 20% and 80% of assets under active management
Source: Morningstar, Inc. as of 12/31/2014

Appendix 3 Plan Annual Maintenance Fees

State	Plan Name	Sales Channel	2014 Max of Maintenance Fee Non-Resident (USD)	2013 Max of Maintenance Fee Non-Resident (USD)
DC	DC College Savings Program	Direct and Advisor	30	30
OH	BlackRock CollegeAdvantage 529 Plan	Advisor	25	25
RI	CollegeBoundfund	Advisor	25	25
SC	Future Scholar 529 (Advisor)	Advisor	25	25
AK	John Hancock Freedom 529	Advisor	25	25
MT	MFESP Investment Plan	Direct	25	25
OR	MFS 529 Savings Plan	Advisor	25	25
MO	MOST 529 Advisor Plan	Advisor	25	25
NY	New York's 529 Program (Advisor-Guided)	Advisor	25	25
NM	Scholar's Edge	Advisor	25	25
WV	SMART529 Select College Savings Plan	Direct	25	25
NM	The Education Plan	Direct	25	25
WV	The Hartford SMART529	Advisor	25	25
WI	Tomorrow's Scholar 529 Plan	Advisor	25	25
ND	College SAVE	Direct	20	20
SD	CollegeAccess 529	Direct and Advisor	20	20
IN	CollegeChoice 529 Direct Savings Plan	Direct	20	20
IN	CollegeChoice Advisor 529 Savings Plan	Advisor	20	20
CO	CollegeInvest Direct Portfolio	Direct	20	20
NH	Fidelity Advisor 529 Plan	Advisor	20	20
AR	GIFT College Investing Plan	Direct	20	20
HI	HI529 - Hawaii's College Savings Program	Direct	20	20
ID	IDeal - Idaho College Savings Program	Direct	20	20
AZ	Ivy Funds InvestEd 529 Plan	Advisor	20	20
OK	OklahomaDream529	Advisor	20	20
CO	Scholars Choice College Savings Program	Advisor	20	20
NV	SSgA Upromise 529 Plan	Direct	20	20
PA	Pennsylvania 529 Investment Plan	Direct	18	18
NV	Putnam 529 for America	Advisor	15	15
NV	USAA College Savings Plan	Direct	15	30
IL	Bright Directions Coll Savings Program	Advisor	12	12
AL	CollegeCounts 529 Fund	Direct	12	12
AL	CollegeCounts 529 Fund Advisor Plan	Advisor	12	12
IL	Bright Start College Savings (Direct)	Direct	10	10
AR	iShares 529 Plan	Advisor	10	10
MD	Maryland College Investment Plan	Direct	10	10
MO	MOST Missouri's 529 Plan	Direct	10	10
AK	T. Rowe Price College Savings Plan	Direct	10	10
AK	University of Alaska Coll Savings Plan	Direct	10	10
IL	Bright Start College Savings (Advisor)	Advisor	0	0

Appendix 3 Plan Annual Maintenance Fees (Continued)

State	Plan Name	Sales Channel	2014 Max of Maintenance Fee Non-Resident (USD)	2013 Max of Maintenance Fee Non-Resident (USD)
CT	CHET Advisor College Savings Plan	Advisor	0	0
IA	College Savings Iowa 529 Plan	Direct	0	0
OH	CollegeAdvantage 529 Savings Plan	Direct	0	0
VA	CollegeAmerica	Advisor	0	10
RI	CollegeBoundfund Direct	Direct	0	0
CT	Connecticut Higher Education Trust	Direct	0	0
DE	Delaware College Investment Plan	Direct	0	0
WI	Edvest 529 Plan	Direct	0	0
AZ	Fidelity Arizona College Savings Plan	Direct	0	0
FL	Florida 529 Savings Plan	Direct	0	0
NJ	Franklin Templeton 529 Coll Savings Plan	Advisor	0	0
SC	Future Scholar 529 (Direct)	Direct	0	0
IA	IAdvisor 529 Plan	Advisor	0	0
KY	Kentucky Education Savings Plan Trust	Direct	0	0
KS	Learning Quest 529 Program (Advisor)	Advisor	0	0
KS	Learning Quest 529 Program (Direct)	Direct	0	0
TX	LoneStar 529 Plan	Advisor	0	0
MI	MI 529 Advisor	Advisor	0	0
MI	Michigan Education Savings Program	Direct	0	0
MN	Minnesota College Savings Plan	Direct	0	0
MS	Mississippi Affordable (Direct)	Direct	0	0
NC	National College Savings Program	Direct	0	18
NE	NEST Advisor College Savings Plan	Advisor	0	0
NE	NEST Direct College Savings Plan	Direct	0	0
NY	New York's 529 Program (Direct)	Direct	0	0
ME	NextGen College Investing Plan Direct	Direct	0	0
ME	NextGen College Investing Plan Select	Advisor	0	50
NJ	NJBEST 529 College Savings Plan	Direct	0	0
OK	Oklahoma College Savings Plan	Direct	0	0
OR	Oregon College Savings Plan	Direct	0	0
GA	Path2College 529 Plan	Direct	0	0
CA	ScholarShare College Savings Plan	Direct	0	0
KS	Schwab 529 College Savings Plan	Direct	0	0
WV	SMART529 WV Direct College Savings Plan	Direct	0	0
NE	State Farm College Savings Plan	Advisor	0	0
NE	TD Ameritrade 529 College Savings Plan	Direct	0	0
TX	Texas College Savings Plan	Direct	0	0
LA	The Louisiana START Saving For College	Direct	0	0
NV	The Vanguard 529 College Savings Plan	Direct	0	20
TN	TNStars College Saving 529 Program	Direct	0	0

Appendix 3 Plan Annual Maintenance Fees (Continued)

State	Plan Name	Sales Channel	2014 Max of Maintenance Fee Non-Resident (USD)	2013 Max of Maintenance Fee Non-Resident (USD)
MA	U.Fund College Investing Plan	Direct	0	0
NH	UNIQUE College Investing Plan	Direct	0	0
UT	Utah Educational Savings Plan	Direct	0	15
VT	Vermont Higher Education Investment Plan	Direct	0	0
VA	Virginia529 inVEST	Direct	0	0

Source: Morningstar, Inc. and plan websites as of 12/31/2014

Appendix 4 Plan Assets and Market Share

State	Plan Assets USD	529 Plan Market Share %
Virginia	50,778,473,822	23.32
New York	19,832,320,586	9.11
Nevada	14,827,534,756	6.81
New Hampshire	13,546,753,872	6.22
Maine	8,124,681,990	3.73
Utah	7,838,689,994	3.60
Rhode Island	7,433,896,084	3.41
Illinois	7,140,232,638	3.28
Ohio	6,942,700,165	3.19
Alaska	6,552,043,225	3.01
California	6,142,244,192	2.82
Colorado	5,965,865,129	2.74
Massachusetts	4,791,839,225	2.20
Kansas	4,696,658,928	2.16
Michigan	4,386,928,226	2.02
New Jersey	4,048,562,306	1.86
Maryland	4,011,255,251	1.84
Wisconsin	3,789,876,400	1.74
Nebraska	3,719,575,854	1.71
Indiana	2,973,068,146	1.37
Connecticut	2,580,259,762	1.19
Missouri	2,464,154,148	1.13
New Mexico	2,326,763,033	1.07
Oregon	2,275,313,254	1.05
South Carolina	2,228,093,336	1.02
West Virginia	2,190,698,538	1.01
Iowa	2,047,817,660	0.94
Pennsylvania	1,745,942,859	0.80
Georgia	1,729,220,554	0.79
North Carolina	1,535,292,971	0.71
Alabama	1,217,361,217	0.56
South Dakota	1,164,650,185	0.53
Minnesota	1,164,205,522	0.53
Arizona	780,930,865	0.36
Oklahoma	763,617,238	0.35
Delaware	615,803,887	0.28
Arkansas	548,985,881	0.25
Texas	508,709,163	0.23
North Dakota	383,828,274	0.18
Florida	382,393,151	0.18

Appendix 4 Plan Assets and Market Share (Continued)

State	Plan Assets USD	529 Plan Market Share %
District of Columbia	375,569,768	0.17
Idaho	310,972,941	0.14
Vermont	255,053,445	0.12
Mississippi	180,543,553	0.08
Kentucky	172,986,122	0.08
Montana	124,851,408	0.06
Hawaii	67,526,462	0.03
Tennessee	20,261,561	0.01
Total	**217,705,007,547**	**100**

Source: Morningstar, Inc. as of 12/31/2014