
529 College-Savings Plans Industry Survey

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Executive Summary

For more than a decade, 529 plans have played an important role for college savers preparing for the costs of higher education. Morningstar provides data on 84 traditional 529 plans, which are included in this study. Assets in 529 plans continue to climb, and plan sponsors have generally hired capable asset managers to run their plans' assets. That said, performance across 529 plans continues to lag that of traditional open-end mutual funds, as the relatively hefty expenses for 529 plans continue to be a tough hurdle. Still, tax benefits can minimize this performance gap on an aftertax basis.

Key Takeaways

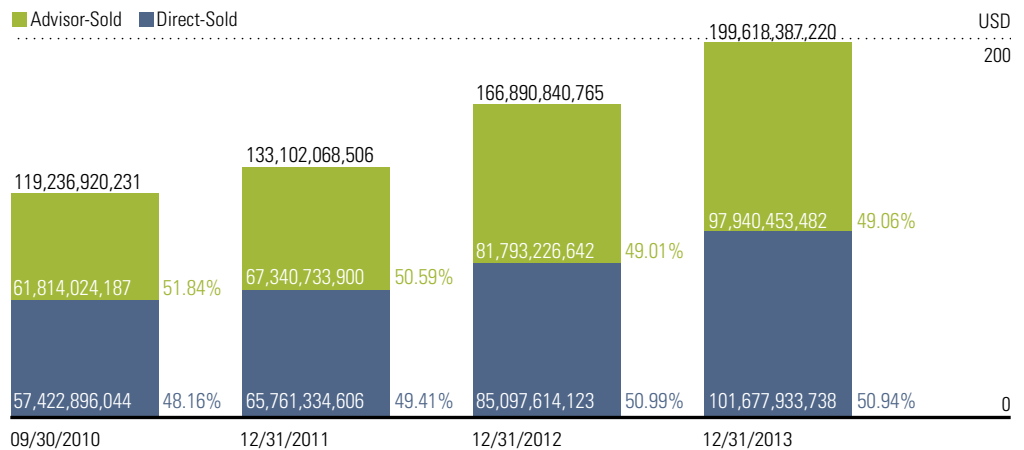
- ▶ Assets in 529 plans grew 20% in 2013 to \$200 billion, fueled in part by strong gains in stocks.
- ▶ Direct-sold and advisor-sold 529 plans have reached nearly equal market share.
- ▶ Direct-sold open-architecture plans have earned higher risk-adjusted results than closed-architecture plans, a shift from prior years.
- ▶ 529 categories continue to lag their traditional open-end counterparts. Age-based 529 options have also lagged behind various blended benchmarks.
- ▶ Costs among 529 plans continue to decrease, although the investment options remain relatively pricey compared with most traditional open-end mutual funds. Dollar-based fees continue to eat away at returns for certain investors in roughly half of 529 plans.
- ▶ Fourteen 529 plans average manager tenure across the underlying funds is greater than 10 years, with open architecture plans and those exclusively featuring Vanguard leading the long-tenure trend.
- ▶ Among the 529 industry's 29 program managers, 15 feature a primary asset manager that's rated Positive by Morningstar, indicating plan sponsors tend to gravitate toward exemplary stewards of capital.
- ▶ The annual Morningstar Analyst Ratings for 529 plans, assigned most recently in October 2013, gave its highest Gold rating to four direct-sold plans. An additional 28 plans earned a Silver or Bronze rating, reflecting Morningstar's view that they are expected to outperform on a risk-adjusted basis after tax benefits over a full market cycle.

Overview

Growth in 529 college-savings plans slowed in 2013 over the year prior, amid strong stock-market gains. Total assets in the industry’s traditional college-savings plans rose by 20% to just more than \$200 billion as of Dec. 31, 2013, up from \$166.9 billion a year earlier. This growth excludes prepaid-tuition 529 plans, in which savers purchase tuition contracts from one of a dozen offerings. This growth also excludes two plans, Ivy Funds InvestEd 529 of Arizona and The Louisiana START Saving for College plan, that have not provided timely share-class-level net assets to Morningstar and are therefore excluded from asset-based calculations throughout this paper.

The law of large numbers suggests that the 529 industry’s growth will slow as it matures, and a 20% growth rate is admirable, particularly compared with the 12% growth rate for the 15-month period ended Dec. 31, 2011. But it falls a bit short of the 25% calendar-year growth in 2012.

Exhibit 1 Industry Total Assets and Market Share by Direct-Sold and Advisor-Sold Plans



Source: Morningstar, Inc. as of 12/31/2013

Morningstar tracks not only total growth of the 529 industry, but also growth among direct-sold and advisor-sold plans. Direct-sold plans are those in which college savers invest directly in the plans and choose investment options on their own; advisor-sold plans are distributed through financial advisors, who choose investment options on behalf of their clients. In recent years, direct-sold plans had been growing at a faster rate than advisor-sold plans, and in 2012, direct-sold plans held 51% of the industry’s assets. In 2013, however, advisor-sold plans’ growth rate narrowly exceeded that of direct-sold plans, with the split between assets in direct-sold and advisor-sold plans remaining roughly unchanged.

The 529 industry's 2013 growth undoubtedly was helped by strong returns in the equity markets. The S&P 500 Index was up 32% for the period, while the Barclays Capital U.S. Aggregate Bond Index declined by about 2%. Most college savers choose age-based options, in which their assets are diversified between stocks and bonds and assets are shifted from stocks to bonds as beneficiaries get closer to college enrollment. That structure puts many 529 college savers' nest eggs closer to the Barclays Capital U.S. Aggregate Bond Index's 2% loss than the S&P 500's 32% gain in 2013, but most age-based options' asset allocations still contain at least a sliver of exposure to stocks when beneficiaries are 19 years old. (For more on the average asset allocation of 529 plans' age-based options, see the Process section of this paper.)

Diversified Static Options Gain Most New Cash

College savers' preference for diversified investments also is reflected in flows to the plans' static options. Static 529 investment options do not alter their asset mix over time and often are invested in a single mutual fund or unchanging collection of mutual funds. Morningstar tracks new cash into these investments, which are assigned to peer groups called Morningstar Categories.

Exhibit 2 Cash Flows to Static 529 Categories in USD

■ Highest ■ Lowest

| Morningstar Category | 2013 | 2012 | 2011 | 2010 | 2009 |
|-------------------------|--------------|---------------|---------------|---------------|-------------|
| Conservative Allocation | 889,547,970 | 1,109,143,801 | 892,100,265 | 1,014,673,687 | 586,794,615 |
| Moderate Allocation | 840,245,303 | 1,418,321,493 | 809,780,775 | 1,368,769,199 | 496,214,706 |
| Large Blend | 828,980,219 | 693,922,866 | 1,103,888,955 | 757,278,823 | 519,326,996 |
| Aggressive Allocation | 708,433,451 | 394,566,654 | 257,504,647 | 1,174,528,061 | 169,277,720 |
| Money Market | 471,518,110 | 419,185,876 | 591,856,476 | 292,662,445 | 479,895,688 |
| Non US Equity | 214,991,638 | -39,579,820 | 433,956,230 | 648,306,056 | 427,525,467 |
| Mid-Cap Equity | 181,103,410 | 58,770,975 | 101,377,562 | 102,418,306 | 45,462,796 |
| Large Growth | 173,595,659 | 68,420,179 | 160,345,596 | 371,864,853 | 286,231,098 |
| Large Value | 156,765,572 | 151,065,642 | 134,129,318 | 182,830,912 | 12,076,063 |
| Small-Cap Equity | 134,403,478 | 131,447,169 | 70,083,363 | 108,109,470 | 36,381,032 |
| Short-Term Bond | 71,944,206 | 282,058,502 | 281,590,144 | 316,554,191 | 356,784,904 |
| US Government | -193,643,664 | 164,206,929 | 99,887,204 | 116,918,667 | 113,411,600 |
| Intermediate Bond | -255,002,380 | 1,287,182,092 | 733,340,119 | 961,147,602 | 917,899,315 |

Source: Morningstar, Inc. as of 12/31/2013

In 2013, three of the top four categories by new assets are allocation categories, which contain a mix of stocks, bonds, and cash. Options in the static conservative allocation category took in the most new assets in the group--about \$890 million. These investments typically have between 20% and 50% of assets in equities and between 50% and 80% in fixed-income and cash. The calendar-year flows figures above show that conservative allocation investments have consistently been among the top recipients of new assets in recent years.

The two static categories in net outflows in 2013 were both bond peer groups, US government and intermediate bond. The withdrawals in these categories may stem from families tapping their 529 accounts to pay for college expenses, but the recent activity also may reflect concerns about rising interest rates, which contributed to the Barclays Capital U.S. Aggregate Bond Index's 2% loss for the calendar year.

Virginia Still on Top of Assets Heap

In addition to tracking assets under management by investment type, Morningstar also looks at assets by state and by plan within the state, as many states have more than one plan. One might expect assets under management to correlate with the state's population, but that isn't necessarily the case.

Exhibit 3 Assets and Market Share by State, Distribution Channel

| State | Overall 529 Industry | | Advisor-Sold | | Direct-Sold | | | |
|----------------|----------------------|----------------|----------------|-------------------|----------------|----------------|-------------------|----------------|
| | Assets USD | Market Share % | Assets USD | % of State Assets | Market Share % | Assets USD | % of State Assets | Market Share % |
| Virginia | 46,780,914,523 | 23.41 | 44,225,300,021 | 94.54 | 45.06 | 2,555,614,502 | 5.46 | 2.51 |
| New York | 17,580,086,509 | 8.80 | 2,972,678,847 | 16.91 | 3.03 | 14,607,407,662 | 83.09 | 14.37 |
| Nevada | 12,788,270,167 | 6.40 | 336,403,463 | 2.63 | 0.34 | 12,451,866,704 | 97.37 | 12.25 |
| New Hampshire | 11,885,546,123 | 5.95 | 4,109,187,326 | 34.57 | 4.19 | 7,776,358,797 | 65.43 | 7.65 |
| Ohio | 7,772,271,812 | 3.89 | 4,506,243,889 | 57.98 | 4.59 | 3,266,027,923 | 42.02 | 3.21 |
| Rhode Island | 7,713,683,579 | 3.86 | 7,517,867,057 | 97.46 | 7.66 | 195,816,522 | 2.54 | 0.19 |
| Maine | 7,595,973,875 | 3.80 | 7,450,377,188 | 98.08 | 7.59 | 145,596,687 | 1.92 | 0.14 |
| Utah | 6,733,533,313 | 3.37 | 0 | 0.00 | 0.00 | 6,733,533,313 | 100.00 | 6.62 |
| Illinois | 6,286,228,739 | 3.15 | 3,258,862,030 | 51.84 | 3.32 | 3,027,366,709 | 48.16 | 2.98 |
| Alaska | 6,070,185,845 | 3.04 | 3,917,232,089 | 64.53 | 3.99 | 2,152,953,756 | 35.47 | 2.12 |
| California | 5,556,746,227 | 2.78 | 0 | 0.00 | 0.00 | 5,556,746,227 | 100.00 | 5.47 |
| Colorado | 5,381,771,878 | 2.69 | 3,354,728,392 | 62.34 | 3.42 | 2,027,043,486 | 37.66 | 1.99 |
| Kansas | 4,232,755,637 | 2.12 | 239,382,133 | 5.66 | 0.24 | 3,993,373,504 | 94.34 | 3.93 |
| Michigan | 3,949,450,020 | 1.98 | 268,476,899 | 6.80 | 0.27 | 3,680,973,121 | 93.20 | 3.62 |
| Massachusetts | 3,905,910,184 | 1.95 | 0 | 0.00 | 0.00 | 3,905,910,184 | 100.00 | 3.84 |
| New Jersey | 3,731,555,588 | 1.87 | 2,853,228,049 | 76.46 | 2.91 | 878,327,539 | 23.54 | 0.86 |
| Iowa | 3,638,171,157 | 1.82 | 184,998,820 | 5.08 | 0.19 | 3,453,172,337 | 94.92 | 3.40 |
| Maryland | 3,621,865,592 | 1.81 | 0 | 0.00 | 0.00 | 3,621,865,592 | 100.00 | 3.56 |
| Wisconsin | 3,453,059,379 | 1.73 | 1,512,153,373 | 0.00 | 1.54 | 1,940,906,006 | 0.00 | 1.91 |
| Nebraska | 3,382,230,321 | 1.69 | 1,160,955,771 | 34.33 | 1.18 | 2,221,274,550 | 65.67 | 2.18 |
| Indiana | 2,598,906,949 | 1.30 | 1,488,300,860 | 57.27 | 1.52 | 1,110,606,089 | 42.73 | 1.09 |
| Connecticut | 2,324,773,510 | 1.16 | 224,708,279 | 9.67 | 0.23 | 2,100,065,231 | 90.33 | 2.07 |
| New Mexico | 2,270,348,982 | 1.14 | 1,828,070,646 | 80.52 | 1.86 | 442,278,336 | 19.48 | 0.43 |
| Missouri | 2,269,761,638 | 1.14 | 208,221,860 | 9.17 | 0.21 | 2,061,539,778 | 90.83 | 2.03 |
| West Virginia | 2,093,958,115 | 1.05 | 1,538,616,166 | 0.00 | 1.57 | 555,341,949 | 0.00 | 0.55 |
| Oregon | 2,038,281,302 | 1.02 | 1,024,429,266 | 50.26 | 1.04 | 1,013,852,036 | 49.74 | 1.00 |
| South Carolina | 1,955,613,828 | 0.98 | 1,323,425,677 | 67.67 | 1.35 | 632,188,151 | 32.33 | 0.62 |
| Georgia | 1,506,628,047 | 0.75 | 0 | 0.00 | 0.00 | 1,506,628,047 | 100.00 | 1.48 |
| Pennsylvania | 1,505,089,123 | 0.75 | 0 | 0.00 | 0.00 | 1,505,089,123 | 100.00 | 1.48 |
| North Carolina | 1,351,211,172 | 0.68 | 0 | 0.00 | 0.00 | 1,351,211,172 | 100.00 | 1.33 |
| South Dakota | 1,165,234,737 | 0.58 | 1,138,722,528 | 97.72 | 1.16 | 26,512,209 | 2.28 | 0.03 |
| Alabama | 1,137,610,978 | 0.57 | 944,075,998 | 82.99 | 0.96 | 193,534,980 | 17.01 | 0.19 |
| Minnesota | 1,097,194,549 | 0.55 | 0 | 0.00 | 0.00 | 1,097,194,549 | 100.00 | 1.08 |
| Oklahoma | 683,232,331 | 0.34 | 83,144,663 | 12.17 | 0.08 | 600,087,668 | 87.83 | 0.59 |
| Delaware | 505,031,256 | 0.25 | 0 | 0.00 | 0.00 | 505,031,256 | 100.00 | 0.50 |

Exhibit 3 Assets and Market Share by State, Distribution Channel (Continued)

| State | Overall 529 Industry | | Advisor-Sold | | | Direct-Sold | | |
|----------------------|----------------------|----------------|--------------|-------------------|----------------|-------------|-------------------|----------------|
| | Assets USD | Market Share % | Assets USD | % of State Assets | Market Share % | Assets USD | % of State Assets | Market Share % |
| Arkansas | 485,596,115 | 0.24 | 206,500,445 | 42.53 | 0.21 | 279,095,670 | 57.47 | 0.27 |
| Texas | 464,112,347 | 0.23 | 171,627,895 | 36.98 | 0.17 | 292,484,452 | 63.02 | 0.29 |
| North Dakota | 360,141,060 | 0.18 | 0 | 0.00 | 0.00 | 360,141,060 | 100.00 | 0.35 |
| Florida | 347,489,695 | 0.17 | 0 | 0.00 | 0.00 | 347,489,695 | 100.00 | 0.34 |
| District of Columbia | 315,902,909 | 0.16 | 89,315,877 | 28.27 | 0.09 | 226,587,032 | 71.73 | 0.22 |
| Idaho | 279,124,365 | 0.14 | 0 | 0.00 | 0.00 | 279,124,365 | 100.00 | 0.27 |
| Arizona | 255,025,895 | 0.13 | — | 0.00 | 0.00 | 255,025,895 | 100.00 | 0.25 |
| Vermont | 222,951,782 | 0.11 | 0 | 0.00 | 0.00 | 222,951,782 | 100.00 | 0.22 |
| Mississippi | 169,307,430 | 0.08 | 0 | 0.00 | 0.00 | 169,307,430 | 100.00 | 0.17 |
| Kentucky | 163,038,420 | 0.08 | 0 | 0.00 | 0.00 | 163,038,420 | 100.00 | 0.16 |
| Montana | 117,285,885 | 0.06 | 0 | 0.00 | 0.00 | 117,285,885 | 100.00 | 0.12 |
| Hawaii | 62,817,142 | 0.03 | 0 | 0.00 | 0.00 | 62,817,142 | 100.00 | 0.06 |
| Tennessee | 9,289,215 | 0.00 | 0 | 0.00 | 0.00 | 9,289,215 | 100.00 | 0.01 |
| Louisiana | — | 0.00 | — | 0.00 | 0.00 | — | 0.00 | 0.00 |
| Washington | 0 | 0.00 | 0 | 0.00 | 0.00 | 0 | 0.00 | 0.00 |
| Wyoming | 0 | 0.00 | 0 | 0.00 | 0.00 | 0 | 0.00 | 0.00 |

Source: Morningstar, Inc. as of 12/31/2013

Among direct-sold plans, the state's population certainly has an impact. New York, for example, has the nation's third-largest state population and the second-largest pool of 529 assets at \$17.6 billion as of Dec. 31, 2013. New York offers the nation's largest direct-sold plan at \$14.6 billion.

But less-populous states that market their 529 plans nationally have attracted assets beyond what one would expect given their number of residents. Take Virginia: Its population ranks 12th, but its 529 asset total is by far the nation's largest at \$46.8 billion. It is home to CollegeAmerica, the nation's largest 529 plan at \$44.2 billion. The advisor-sold plan's program manager is American Funds, which distributes its 529 plan nationally through advisors who use American Funds in their clients' portfolios.

Also unexpectedly large from an assets-under-management standpoint is New Hampshire at \$11.9 billion. The direct-sold UNIQUE College Investing Plan and Fidelity Advisor 529 Plan market their Fidelity investment options nationwide. Meanwhile, Nevada sponsors four 529 plans, each of which is advertised nationally. The asset managers represented in Nevada's plans are Putnam, SSgA, USAA, and Vanguard, and they bring the state to number three in 529 assets at \$12.8 billion.

Morningstar's Five Pillars

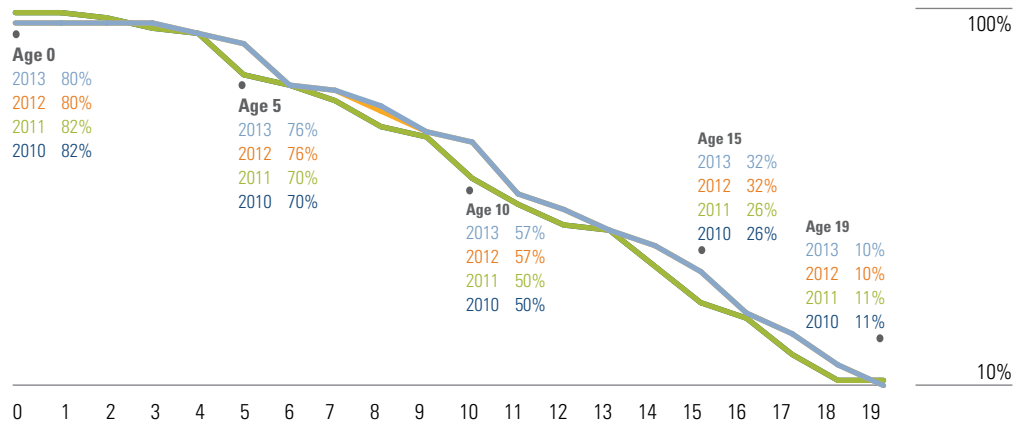
From here, this research paper is organized around the same framework that Morningstar's analysts use when evaluating 529 plans. Morningstar has been providing qualitative research

on 529 plans for more than a decade. In 2010, Morningstar introduced the Morningstar Analyst Rating for 529 Plans, a forward-looking rating that indicates which plans are expected to outperform their peers on a risk-adjusted basis over a full market cycle, inclusive of tax benefits. To determine a plan's Analyst Rating, Morningstar's fund analysts consider five factors: the plan's strategy and investment process; the plan's risk-adjusted performance; an assessment of the plan's manager; the stewardship practices of the plan's administration and parent firm; and whether the plan's investment options are a good value proposition compared with its peers'. The following sections of this survey provide details on select inputs for each component, Process, Performance, Price, People, and Parent.

Process

Most 529 plans offer a range of investments to help plan participants build a diversified portfolio. One of the most popular investments is an age-based track that shifts its asset allocation over time. Age-based tracks (as well as enrollment-based tracks, which are similar but are structured around the beneficiary's college enrollment year) start out with equity-heavy investments when beneficiaries are more than a decade from college enrollment and become primarily invested in bonds and cash by the enrollment date. The timing and degree to which the equity exposure changes are depicted by the track's glide path, which shows the track's equity allocation at various ages of the beneficiary.

Exhibit 4 Average Historical Target Equity Allocation by Beneficiary Age



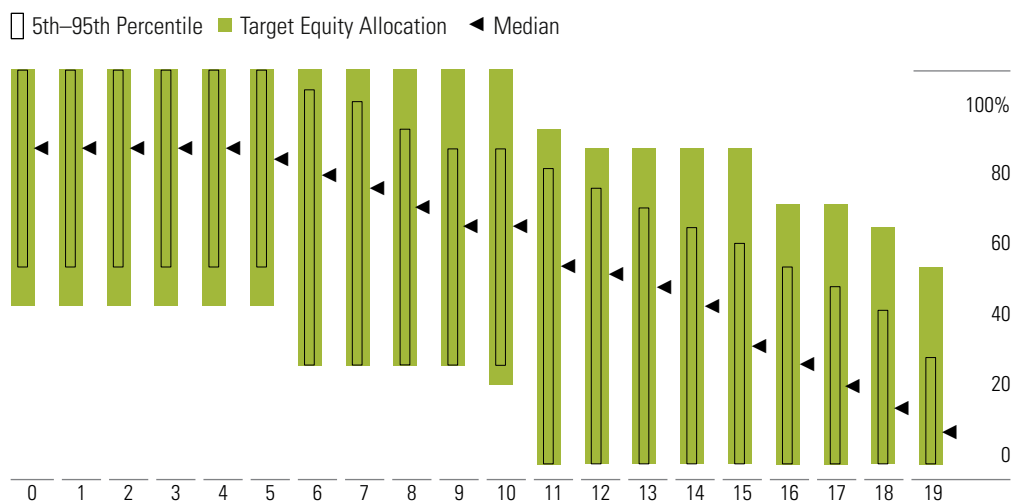
Source: Morningstar, Inc. as of 12/31/2013

The industry's average glide path has shifted only slightly in recent years. For example, when Morningstar first began publishing glide-path data for 529 plans in 2010, the average glide path had slightly more equity exposure at the earliest stages than it does today, a difference of 2 percentage points at ages 0 and 1 year. The middle years of the average glide path have increased their equity exposure since 2010, with the largest differences at age 5, 10, and 15 years; at those ages, today's average glide path has between 6 and 7 percentage points more in equity exposure than the average glide path at the end of 2010. Overall, the typical age-based track starts with an 80% allocation to stocks and gradually cuts that exposure to 10% at the age of enrollment.

Within each age level, however, there is a wide range of equity exposures across 529 plans. For example, Exhibit 5 shows that the most conservative age-based tracks start with a mere 40% stock allocation and move entirely out of equities at age 11. In contrast, the most

aggressive track maintains a 100% equity allocation until the beneficiary reaches age 10 and continues to hold 50% in equities as the beneficiary reaches college age.

Exhibit 5 Target Equity Allocation Dispersion Among Plans



Source: Morningstar, Inc. as of 12/31/2013

Many plans offer multiple age-based tracks, commonly marketed as conservative, moderate, and aggressive. Rather than evaluating the suitability of each age-based track within a plan for a hypothetical investor, Morningstar maintains that the 529 plan investor is in the best position to evaluate which age-based track is appropriate given the investor's risk appetite and individual circumstances. As such, the Process component of the qualitative Morningstar Analyst Rating for 529 College Savings Plans is based on the overall quality of the investment options for different types of college savers given the expected risks. In addition, Morningstar's analysts look for a sensible, clearly defined, and repeatable objective and investment process from the options across each plan.

When evaluating the quality of the age-based and stand-alone options in a 529 plan, Morningstar analysts like to see a lineup of high-quality investments from reputable asset managers. In some cases, even though investment options may be similar across plans, there may be subtle differences among the plans that merit different Process ratings. For example, Vanguard options dominate the lineups of several plans. The low-cost, broad-based, and diversified exposure from the set of indexes earns most Vanguard-based plans a Positive Process rating. However, New York's 529 Program (Direct) does not include any international-stock exposure in the age-based track, a deviation from similarly managed plans. Because the New York plan is not as well-diversified as some of its competitors, it receives a Neutral rating for Process.

Open Architecture Offers Mixed Results

Some 529 plans feature investment options from a mix of asset managers, while others include offerings from only a single asset manager. Morningstar refers to plans with the former model as having “open architecture,” while the latter has “closed architecture.” Proponents of open-architecture plans often assert that by choosing the best-of-breed offerings from multiple investment shops, they are able to create an investment plan with superior performance. In contrast, closed-architecture advocates reply that by selecting a single investment provider, the plan can save on costs, one of the few things an investor can control that leads to meaningfully higher returns.

Morningstar has compared returns of both models to see if one approach is superior. Among direct-sold plans, open-architecture plans have earned a higher overall Morningstar Rating, on average, compared with closed-architecture plans. This represents a shift from prior years, when closed-architecture plans have maintained an edge. The outcome is reversed for those plans sold through advisors, with closed-architecture plans outperforming open-architecture, albeit by a relatively small margin in both instances. Of note, for the 2014 study, Morningstar more strictly classified open-architecture plans as those having any investable option from the nondominant asset manager included as a stand-alone option in the plan or as a mutual fund component in an age-based track.

Given the relatively narrow difference in performance over various time periods, it isn't clear that one structure necessarily offers a distinct advantage.

Exhibit 6 Plan Performance by Sales Channel and Plan Architecture

| Sales Channel | Plan Architecture | Average Overall Morningstar Rating | Annualized Return % | | Average Total Expense Ratio % | Total Investment Options | Investment Options | | |
|---------------|-------------------|------------------------------------|---------------------|--------|-------------------------------|--------------------------|----------------------------|---------------|---------------|
| | | | 3-Year | 5-Year | | | Overall Morningstar Rating | 3-Year Return | 5-Year Return |
| Advisor-Sold | Closed | 2.88 | 8.28 | 12.46 | 1.37 | 594 | 420 | 440 | 428 |
| | Open | 2.53 | 7.72 | 11.56 | 1.37 | 2710 | 1894 | 1948 | 1196 |
| Direct-Sold | Closed | 3.11 | 7.41 | 9.75 | 0.50 | 487 | 345 | 370 | 341 |
| | Open | 3.17 | 7.70 | 10.38 | 0.50 | 804 | 492 | 521 | 373 |

Source: Morningstar, Inc. as of 12/31/2013

In addition, the investment options in open-architecture plans have noticeably shorter histories than the options within closed-architecture plans. For example, only 65% of the investment options in direct-sold open-architecture plans have at least a three-year performance record, while 76% of the options within direct-sold closed-architecture plans have at least a three-year history. As the open-architecture plans accrue longer track records, the comparison may show more-meaningful differences in performance.

Also, several open-architecture plans continue to have the lion's share of assets invested with a single asset manager, so although the plans are open, a single provider is driving most of the returns. For example, Ohio's BlackRock CollegeAdvantage 529 Plan has offerings from program manager BlackRock, including its exchange-traded fund provider iShares, as well as Wells Fargo, ING, and Rainier. Still, more than 96% of the plan's assets are invested in BlackRock open-end mutual funds or iShares ETFs, indicating that investors have not diversified their assets among the diverse lineup of managers.

Exhibit 7 Allocation to Asset Manager by Plan

| State | Plan Name | Firm Name | Morningstar Analyst Rating Parent Pillar | Allocation % |
|------------------------|---|--------------------------------|---|--------------|
| OH | BlackRock CollegeAdvantage 529 Plan | BlackRock | Neutral | 83.82 |
| | | iShares | NA | 12.44 |
| | | Wells Fargo Advantage | Neutral | 2.02 |
| | | ING Funds | Neutral | 1.22 |
| | | Rainier | Neutral | 0.49 |
| IL | Bright Directions College Savings Program | Northern Funds | Neutral | 22.67 |
| | | PIMCO | Positive | 21.99 |
| | | T. Rowe Price | Positive | 14.96 |
| | | Dimensional Fund Advisors | Positive | 10.39 |
| | | BlackRock | Neutral | 5.48 |
| | | Dodge & Cox | Positive | 4.50 |
| | | OppenheimerFunds | Neutral | 4.46 |
| | | American Century Investments | Neutral | 4.03 |
| | | Delaware Investments | Neutral | 2.48 |
| | | Franklin Templeton Investments | Positive | 2.12 |
| | | ING Funds | Neutral | 1.76 |
| | | Causeway | Positive | 1.64 |
| | | Eagle Funds | NA | 1.56 |
| | | William Blair | Neutral | 0.72 |
| | | Sit | NA | 0.47 |
| Ariel Investments, LLC | Positive | 0.45 | | |
| Calvert Investments | Negative | 0.32 | | |
| IL | Bright Start College Savings (Advisor) | OFI Private Investments Inc | NA | 55.95 |
| | | OppenheimerFunds | Neutral | 31.02 |
| | | American Century Investments | Neutral | 13.02 |
| IL | Bright Start College Savings (Direct) | Vanguard | Positive | 69.15 |
| | | OppenheimerFunds | Neutral | 15.61 |
| | | OFI Private Investments Inc | NA | 14.84 |
| | | American Century Investments | Neutral | 0.40 |
| CT | CHET Advisor College Savings Plan | Hartford Mutual Funds | Neutral | 94.18 |
| | | State Street Global Advisors | NA | 5.82 |

Exhibit 7 Allocation to Asset Manager by Plan (Continued)

| State | Plan Name | Firm Name | Morningstar Analyst Rating Parent Pillar | Allocation % |
|-------|-----------------------------------|--|---|--------------|
| ND | College SAVE | Vanguard | Positive | 100.00 |
| IA | College Savings Iowa 529 Plan | Vanguard | Positive | 100.00 |
| SD | CollegeAccess 529 | PIMCO | Positive | 51.79 |
| | | Allianz Funds | Neutral | 24.57 |
| | | TIAA-CREF Mutual Funds | Neutral | 9.63 |
| | | Franklin Templeton Investments | Positive | 2.72 |
| | | Royce | Positive | 2.68 |
| | | Thornburg | Positive | 2.66 |
| | | ING Funds | Neutral | 2.46 |
| | | Dreyfus | Negative | 1.28 |
| | | Dodge & Cox | Positive | 1.25 |
| | | Morgan Stanley | Neutral | 0.96 |
| OH | CollegeAdvantage 529 Savings Plan | Vanguard | Positive | 92.55 |
| | | PIMCO | Positive | 6.44 |
| | | GE Asset Management | NA | 1.01 |
| VA | CollegeAmerica | American Funds | Positive | 100.00 |
| RI | CollegeBoundfund | AllianceBernstein | Negative | 63.18 |
| | | iShares | NA | 20.71 |
| | | Vanguard | Positive | 15.70 |
| | | Kennedy Wilson | NA | 0.18 |
| | | F&C Asset Management PLC | NA | 0.07 |
| | | Ignis Asset Management | NA | 0.05 |
| | | 3i Asset Management Ltd | NA | 0.03 |
| | | Wendel | NA | 0.02 |
| | | Eurafrance | NA | 0.01 |
| | | Atrium European Real Estate Ltd. | NA | 0.01 |
| | | Redefine International Prop Management | NA | 0.01 |
| | | SCB Asset Management Co., Ltd. | NA | 0.01 |
| | | MedicX Fund Group | NA | 0.01 |
| | | Picton Capital Limited | NA | 0.00 |
| | | Schroders Investment Management | NA | 0.00 |
| | | Standard Life Investments | NA | 0.00 |
| RI | CollegeBoundfund Direct | AllianceBernstein | Negative | 63.19 |
| | | iShares | NA | 20.71 |
| | | Vanguard | Positive | 15.70 |
| | | Kennedy Wilson | NA | 0.18 |
| | | F&C Asset Management PLC | NA | 0.07 |
| | | Ignis Asset Management | NA | 0.05 |
| | | 3i Asset Management Ltd | NA | 0.03 |
| | | Wendel | NA | 0.02 |
| | | Eurafrance | NA | 0.01 |
| | | Atrium European Real Estate Ltd. | NA | 0.01 |
| | | Redefine International Prop Management | NA | 0.01 |

Exhibit 7 Allocation to Asset Manager by Plan (Continued)

| State | Plan Name | Firm Name | Morningstar Analyst Rating Parent Pillar | Allocation % |
|-------|--|---------------------------------|---|--------------|
| | | SCB Asset Management Co., Ltd. | NA | 0.01 |
| | | MedicX Fund Group | NA | 0.01 |
| | | Picton Capital Limited | NA | 0.00 |
| | | Schroders Investment Management | NA | 0.00 |
| | | Standard Life Investments | NA | 0.00 |
| IN | CollegeChoice 529 Direct Savings Plan | Vanguard | Positive | 86.29 |
| | | Natixis Funds | Positive | 6.12 |
| | | Dodge & Cox | Positive | 4.14 |
| | | Scout | Neutral | 2.19 |
| | | Legg Mason | Neutral | 1.26 |
| IN | CollegeChoice Advisor 529 Savings Plan | iShares | NA | 80.72 |
| | | Columbia | Neutral | 5.40 |
| | | BlackRock | Neutral | 5.19 |
| | | T. Rowe Price | Positive | 4.90 |
| | | PIMCO | Positive | 3.79 |
| AL | CollegeCounts 529 Fund | Vanguard | Positive | 95.12 |
| | | PIMCO | Positive | 3.18 |
| | | T. Rowe Price | Positive | 1.70 |
| AL | CollegeCounts 529 Fund Advisor Plan | Northern Funds | Neutral | 28.28 |
| | | PIMCO | Positive | 16.03 |
| | | T. Rowe Price | Positive | 13.99 |
| | | Neuberger Berman | Positive | 8.43 |
| | | Cohen & Steers | Neutral | 7.25 |
| | | American Century Investments | Neutral | 5.33 |
| | | BlackRock | Neutral | 4.47 |
| | | Lazard | Neutral | 3.27 |
| | | ING Funds | Neutral | 2.76 |
| | | Lord Abbett | Neutral | 2.32 |
| | | Franklin Templeton Investments | Positive | 1.81 |
| | | Touchstone | Neutral | 1.78 |
| | | Dimensional Fund Advisors | Positive | 1.56 |
| | | Credit Suisse (New York, NY) | Neutral | 1.48 |
| | | William Blair | Neutral | 1.25 |
| CO | CollegeInvest Direct Portfolio | Vanguard | Positive | 100.00 |
| CT | Connecticut Higher Education Trust | TIAA-CREF Mutual Funds | Neutral | 90.30 |
| | | Franklin Templeton Investments | Positive | 4.92 |
| | | Dimensional Fund Advisors | Positive | 3.39 |
| | | GE Asset Management | NA | 0.75 |
| | | Thornburg | Positive | 0.30 |
| | | GMO | Positive | 0.21 |
| | | T. Rowe Price | Positive | 0.13 |

Exhibit 7 Allocation to Asset Manager by Plan (Continued)

| State | Plan Name | Firm Name | Morningstar Analyst Rating Parent Pillar | Allocation % |
|---------------|---|--------------------------------|---|--------------|
| DC | DC College Savings Program | Calvert Investments | Negative | 79.60 |
| | | State Street Global Advisors | NA | 20.40 |
| DE | Delaware College Investment Plan | Fidelity Investments | Positive | 99.55 |
| | | JPMorgan | Neutral | 0.08 |
| | | Aston | Positive | 0.07 |
| | | MFS | Positive | 0.05 |
| | | PIMCO | Positive | 0.04 |
| | | Harbor | Positive | 0.03 |
| | | Legg Mason | Neutral | 0.03 |
| | | OppenheimerFunds | Neutral | 0.03 |
| | | William Blair | Neutral | 0.03 |
| | | Causeway | Positive | 0.02 |
| | | BlackRock | Neutral | 0.02 |
| | | Invesco | Positive | 0.01 |
| | | Eaton Vance | Neutral | 0.01 |
| | | Artisan | Positive | 0.01 |
| | | Acadian Funds | Positive | 0.01 |
| | | Credit Suisse (New York, NY) | Neutral | 0.01 |
| Natixis Funds | Positive | 0.01 | | |
| Royce | Positive | 0.01 | | |
| WI | EdVest 529 Plan | TIAA-CREF Mutual Funds | Neutral | 97.79 |
| | | Dimensional Fund Advisors | Positive | 1.73 |
| | | PIMCO | Positive | 0.48 |
| NH | Fidelity Advisor 529 Plan | Fidelity Investments | Positive | 100.00 |
| AZ | Fidelity Arizona College Savings Plan | Fidelity Investments | Positive | 97.43 |
| | | JPMorgan | Neutral | 0.44 |
| | | Aston | Positive | 0.39 |
| | | MFS | Positive | 0.29 |
| | | PIMCO | Positive | 0.19 |
| | | Harbor | Positive | 0.17 |
| | | OppenheimerFunds | Neutral | 0.16 |
| | | William Blair | Neutral | 0.15 |
| | | Legg Mason | Neutral | 0.15 |
| | | Causeway | Positive | 0.14 |
| | | BlackRock | Neutral | 0.10 |
| | | Invesco | Positive | 0.09 |
| | | Eaton Vance | Neutral | 0.07 |
| | | Artisan | Positive | 0.06 |
| | | Acadian Funds | Positive | 0.06 |
| | | Credit Suisse (New York, NY) | Neutral | 0.04 |
| Natixis Funds | Positive | 0.04 | | |
| Royce | Positive | 0.04 | | |
| NJ | Franklin Templeton 529 College Savings Plan | Franklin Templeton Investments | Positive | 95.93 |
| | | JPMorgan | Neutral | 4.07 |

Exhibit 7 Allocation to Asset Manager by Plan (Continued)

| State | Plan Name | Firm Name | Morningstar Analyst Rating Parent Pillar | Allocation % |
|----------|--|--------------------------------|---|--------------|
| SC | Future Scholar 529 (Advisor) | Columbia | Neutral | 79.76 |
| | | Vanguard | Positive | 14.66 |
| | | iShares | NA | 3.32 |
| | | Dimensional Fund Advisors | Positive | 0.95 |
| | | Fidelity Investments | Positive | 0.64 |
| | | American Century Investments | Neutral | 0.41 |
| | | MFS | Positive | 0.10 |
| | | Franklin Templeton Investments | Positive | 0.08 |
| | | Nuveen | Neutral | 0.05 |
| JPMorgan | Neutral | 0.03 | | |
| SC | Future Scholar 529 (Direct) | Columbia | Neutral | 81.06 |
| | | Vanguard | Positive | 15.72 |
| | | iShares | NA | 3.21 |
| AR | GIFT College Investing Plan | Vanguard | Positive | 100.00 |
| HI | HI529 - Hawaii's College Savings Program | Vanguard | Positive | 100.00 |
| IA | IAdvisor 529 Plan | ING Funds | Neutral | 72.45 |
| | | ING Retirement Funds | Neutral | 27.55 |
| ID | IDeal - Idaho College Savings Program | Vanguard | Positive | 100.00 |
| AR | iShares 529 Plan | iShares | NA | 100.00 |
| | | | | |
| AZ | Ivy Funds InvestEd 529 Plan | Waddell & Reed | Negative | 100.00 |
| AK | John Hancock Freedom 529 | T. Rowe Price | Positive | 54.90 |
| | | John Hancock | Neutral | 37.94 |
| | | OppenheimerFunds | Neutral | 4.75 |
| | | American Funds | Positive | 2.41 |
| KY | Kentucky Education Savings Plan Trust | TIAA-CREF Mutual Funds | Neutral | 100.00 |
| KS | LearningQuest 529 Program (Advisor) | American Century Investments | Neutral | 87.74 |
| | | Principal Funds | Neutral | 7.58 |
| | | T. Rowe Price | Positive | 3.75 |
| | | American Beacon | Positive | 0.93 |
| KS | LearningQuest 529 Program (Direct) | American Century Investments | Neutral | 60.51 |
| | | Vanguard | Positive | 39.49 |
| TX | LoneStar 529 Plan | OppenheimerFunds | Neutral | 49.17 |
| | | Dreyfus | Negative | 26.76 |
| | | TIAA-CREF Mutual Funds | Neutral | 12.60 |
| | | Thornburg | Positive | 11.46 |

Exhibit 7 Allocation to Asset Manager by Plan (Continued)

| State | Plan Name | Firm Name | Morningstar Analyst Rating Parent Pillar | Allocation % |
|-------|------------------------------------|-----------------------------------|---|--------------|
| MD | Maryland College Investment Plan | T. Rowe Price | Positive | 100.00 |
| MT | MFESP Investment Plan | Vanguard | Positive | 100.00 |
| OR | MFS 529 Savings Plan | MFS | Positive | 100.00 |
| MI | MI 529 Advisor | PIMCO | Positive | 40.16 |
| | | Allianz Funds | Neutral | 37.32 |
| | | TIAA-CREF Mutual Funds | Neutral | 22.52 |
| MI | Michigan Education Savings Program | TIAA-CREF Mutual Funds | Neutral | 100.00 |
| MN | Minnesota College Savings Plan | TIAA-CREF Mutual Funds | Neutral | 100.00 |
| MS | Mississippi Affordable (Direct) | TIAA-CREF Mutual Funds | Neutral | 100.00 |
| MO | MOST 529 Advisor Plan | Upromise Investments, Inc. | NA | 31.29 |
| | | DWS Investments | Negative | 21.24 |
| | | American Funds | Positive | 13.96 |
| | | Franklin Templeton Investments | Positive | 8.12 |
| | | PIMCO | Positive | 7.53 |
| | | Invesco | Positive | 6.39 |
| | | Columbia | Neutral | 5.29 |
| | | T. Rowe Price | Positive | 4.33 |
| | | American Century Investments | Neutral | 1.85 |
| MO | MOST Missouri's 529 Plan | Vanguard | Positive | 100.00 |
| NC | National College Savings Program | Vanguard | Positive | 100.00 |
| NE | NEST Advisor College Savings Plan | Vanguard | Positive | 20.94 |
| NE | NEST Advisor College Savings Plan | Federated | Neutral | 12.64 |
| | | T. Rowe Price | Positive | 10.92 |
| | | Goldman Sachs | Negative | 10.28 |
| | | American Century Investments | Neutral | 9.62 |
| | | PIMCO | Positive | 9.24 |
| | | Dodge & Cox | Positive | 9.00 |
| | | Dreyfus | Negative | 6.31 |
| | | SPDR State Street Global Advisors | NA | 4.48 |
| | | iShares | NA | 3.42 |
| | | Tributary Funds | NA | 3.16 |
| NE | NEST Direct College Savings Plan | Vanguard | Positive | 59.36 |
| | | T. Rowe Price | Positive | 10.46 |
| | | Goldman Sachs | Negative | 9.76 |

Exhibit 7 Allocation to Asset Manager by Plan (Continued)

| State | Plan Name | Firm Name | Morningstar Analyst Rating Parent Pillar | Allocation % |
|-------|---|-----------------------------------|---|--------------|
| NE | NEST Direct College Savings Plan (cont'd) | PIMCO | Positive | 9.05 |
| | | iShares | NA | 4.45 |
| | | Tributary Funds | NA | 3.70 |
| | | SPDR State Street Global Advisors | NA | 3.22 |
| NY | New York's 529 Program (Advisor-Guided) | JPMorgan | Neutral | 73.30 |
| | | SPDR State Street Global Advisors | NA | 26.70 |
| NY | New York's 529 Program (Direct) | Vanguard | Positive | 99.98 |
| | | Ignis Asset Management | NA | 0.01 |
| | | F&C Asset Management PLC | NA | 0.01 |
| | | Macquarie Group Ltd. | NA | 0.00 |
| ME | NextGen College Investing Plan Direct | BlackRock | Neutral | 53.83 |
| | | iShares | NA | 38.37 |
| | | Franklin Templeton Investments | Positive | 5.45 |
| | | MFS | Positive | 2.36 |
| ME | NextGen College Investing Plan Select | BlackRock | Neutral | 52.60 |
| | | Franklin Templeton Investments | Positive | 28.41 |
| | | MFS | Positive | 14.76 |
| | | PIMCO | Positive | 1.83 |
| | | Allianz Funds | Neutral | 1.47 |
| | | MainStay | Neutral | 0.48 |
| | | Thornburg | Positive | 0.44 |
| NJ | NJBEST 529 College Savings Plan | Franklin Templeton Investments | Positive | 94.30 |
| | | JPMorgan | Neutral | 5.70 |
| OK | Oklahoma College Savings Plan | TIAA-CREF Mutual Funds | Neutral | 100.00 |
| OK | OklahomaDream529 | PIMCO | Positive | 42.51 |
| | | Allianz Funds | Neutral | 36.20 |
| | | TIAA-CREF Mutual Funds | Neutral | 21.29 |
| OR | Oregon College Savings Plan | TIAA-CREF Mutual Funds | Neutral | 78.32 |
| | | Vanguard | Positive | 16.08 |
| | | LSV Fund | NA | 2.36 |
| | | T. Rowe Price | Positive | 1.68 |
| | | Thornburg | Positive | 0.34 |
| | | TCM Funds | NA | 0.32 |
| | | Dreyfus | Negative | 0.31 |
| | | DoubleLine | Neutral | 0.30 |
| | | PIMCO | Positive | 0.30 |
| GA | Path2College 529 Plan | TIAA-CREF Mutual Funds | Neutral | 100.00 |

Exhibit 7 Allocation to Asset Manager by Plan (Continued)

| State | Plan Name | Firm Name | Morningstar Analyst Rating Parent Pillar | Allocation % |
|-------|---|-----------------------------------|---|--------------|
| PA | Pennsylvania 529 Investment Plan | Vanguard | Positive | 100.00 |
| NV | Putnam 529 for America | Putnam | Neutral | 73.35 |
| | | Principal Funds | Neutral | 16.12 |
| | | Fidelity Investments | Positive | 4.56 |
| | | MFS | Positive | 4.54 |
| | | Federated | Neutral | 1.43 |
| CO | Scholars Choice College Savings Program | Legg Mason | Neutral | 88.01 |
| | | Thornburg | Positive | 9.57 |
| | | Royce | Positive | 2.42 |
| NM | Scholar's Edge | OppenheimerFunds | Neutral | 67.68 |
| | | American Century Investments | Neutral | 16.53 |
| | | MainStay | Neutral | 13.04 |
| | | Thornburg | Positive | 2.74 |
| CA | ScholarShare College Savings Plan | TIAA-CREF Mutual Funds | Neutral | 75.74 |
| | | T. Rowe Price | Positive | 10.87 |
| | | PIMCO | Positive | 8.54 |
| | | Dimensional Fund Advisors | Positive | 4.85 |
| KS | Schwab 529 College Savings Plan | American Century Investments | Neutral | 50.82 |
| | | Schwab Funds | Negative | 18.34 |
| | | Laudus Funds | Neutral | 10.98 |
| | | PIMCO | Positive | 7.12 |
| | | Metropolitan West Funds | Neutral | 4.47 |
| | | American Beacon | Positive | 4.19 |
| | | Baron Capital Group | Neutral | 4.08 |
| WV | SMART529 Select College Savings Plan | Dimensional Fund Advisors | Positive | 100.00 |
| WV | SMART529 WV Direct College Savings Plan | Vanguard | Positive | 77.99 |
| | | Hartford Life Insurance Company | NA | 22.01 |
| NV | SSgA Upromise 529 Plan | SPDR State Street Global Advisors | NA | 89.36 |
| | | State Street Global Advisors | NA | 10.64 |
| NE | State Farm College Savings Plan | OppenheimerFunds | Neutral | 100.00 |
| AK | T. Rowe Price College Savings Plan | T. Rowe Price | Positive | 100.00 |
| NE | TD Ameritrade 529 College Savings Plan | Vanguard | Positive | 51.37 |
| | | Goldman Sachs | Negative | 11.29 |
| | | T. Rowe Price | Positive | 10.32 |
| | | PIMCO | Positive | 8.63 |

Exhibit 7 Allocation to Asset Manager by Plan (Continued)

| State | Plan Name | Firm Name | Morningstar Analyst Rating Parent Pillar | Allocation % |
|---------------|--|-----------------------------------|---|--------------|
| NE | TD Ameritrade 529 College Savings Plan (cont'd) | American Century Investments | Neutral | 6.64 |
| | | iShares | NA | 5.23 |
| | | Tributary Funds | NA | 3.74 |
| | | SPDR State Street Global Advisors | NA | 2.77 |
| TX | Texas College Savings Plan | Vanguard | Positive | 31.98 |
| | | OppenheimerFunds | Neutral | 25.43 |
| | | Dreyfus | Negative | 23.59 |
| | | TIAA-CREF Mutual Funds | Neutral | 12.71 |
| | | Thornburg | Positive | 6.29 |
| NM | The Education Plan | OppenheimerFunds | Neutral | 45.93 |
| | | Dreyfus | Negative | 34.41 |
| | | Vanguard | Positive | 13.00 |
| | | TIAA-CREF Mutual Funds | Neutral | 6.66 |
| WV | The Hartford SMART529 | Hartford Mutual Funds | Neutral | 85.41 |
| | | Hartford Life Insurance Company | NA | 13.60 |
| | | MFS | Positive | 0.98 |
| NV | The Vanguard 529 College Savings Plan | Vanguard | Positive | 100.00 |
| WI | Tomorrow's Scholar 529 Plan | ING Funds | Neutral | 55.08 |
| | | ING Retirement Funds | Neutral | 30.50 |
| | | TIAA-CREF Mutual Funds | Neutral | 13.67 |
| | | BlackRock | Neutral | 0.57 |
| | | Columbia | Neutral | 0.19 |
| MA | U.Fund College Investing Plan | Fidelity Investments | Positive | 99.21 |
| | | JPMorgan | Neutral | 0.14 |
| | | Aston | Positive | 0.11 |
| | | MFS | Positive | 0.09 |
| | | PIMCO | Positive | 0.07 |
| | | Legg Mason | Neutral | 0.05 |
| | | Harbor | Positive | 0.05 |
| | | OppenheimerFunds | Positive | 0.05 |
| | | William Blair | Neutral | 0.04 |
| | | Causeway | Positive | 0.04 |
| | | BlackRock | Neutral | 0.03 |
| | | Invesco | Positive | 0.03 |
| | | Eaton Vance | Neutral | 0.02 |
| | | Artisan | Positive | 0.02 |
| | | Acadian Funds | Positive | 0.02 |
| | | Credit Suisse (New York, NY) | Neutral | 0.01 |
| Natixis Funds | Positive | 0.01 | | |
| Royce | Positive | 0.01 | | |

Exhibit 7 Allocation to Asset Manager by Plan (Continued)

| State | Plan Name | Firm Name | Morningstar Analyst Rating Parent Pillar | Allocation % |
|------------------------------|---|--------------------------------|---|--------------|
| NH | UNIQUE College Investing Plan | Fidelity Investments | Positive | 98.74 |
| | | JPMorgan | Neutral | 0.22 |
| | | Aston | Positive | 0.18 |
| | | MFS | Positive | 0.14 |
| | | PIMCO | Positive | 0.11 |
| | | Legg Mason | Neutral | 0.09 |
| | | Harbor | Positive | 0.08 |
| | | OppenheimerFunds | Neutral | 0.07 |
| | | William Blair | Neutral | 0.07 |
| | | Causeway | Positive | 0.07 |
| | | BlackRock | Neutral | 0.05 |
| | | Invesco | Positive | 0.04 |
| | | Eaton Vance | Neutral | 0.04 |
| | | Artisan | Positive | 0.03 |
| | | Acadian Funds | Positive | 0.03 |
| Credit Suisse (New York, NY) | Neutral | 0.02 | | |
| Natixis Funds | Positive | 0.02 | | |
| Royce | Positive | 0.02 | | |
| AK | University of Alaska College Savings Plan | T. Rowe Price | Positive | 100.00 |
| NV | USAA College Savings Plan | USAA | Neutral | 100.00 |
| UT | Utah Educational Savings Plan | Vanguard | Positive | 99.13 |
| | | Dimensional Fund Advisors | Positive | 0.87 |
| VT | Vermont Higher Education Investment Plan | TIAA-CREF Mutual Funds | Neutral | 100.00 |
| VA | Virginia529 inVEST | Vanguard | Positive | 66.15 |
| | | Morgan Stanley | Neutral | 5.99 |
| | | Stone Harbor | NA | 5.85 |
| | | American Funds | Positive | 5.85 |
| | | Franklin Templeton Investments | Positive | 5.80 |
| | | Aberdeen | Neutral | 5.04 |
| | | Prudential Portfolio Managers | NA | 4.56 |
| Parnassus | Positive | 0.76 | | |

Source: Morningstar, Inc. as of 12/31/2013

The previous exhibit illustrates that 529 plans often feature investments from a broad swath of firms, but there are a few asset managers that show up more frequently than others. Looking across the industry, 529 college savers have more assets with Vanguard than any other firm, resulting in 29% market share. American Funds, which manages the largest advisor-sold plan, comes in second at nearly 18% market share, while Fidelity comes in third at about 11% of assets.

Exhibit 8 Top 10 Asset Managers by Market Share

| Firm Name | Morningstar Analyst Rating: Parent Pillar | Market Share % |
|--|---|----------------|
| Vanguard | Positive | 29.20 |
| American Funds | Positive | 17.50 |
| Fidelity Investments | Positive | 10.93 |
| T. Rowe Price | Positive | 6.73 |
| TIAA-CREF Mutual Funds | Neutral | 5.78 |
| BlackRock | Neutral | 3.82 |
| Franklin Templeton Investments | Positive | 3.69 |
| American Century Investments | Neutral | 1.88 |
| OppenheimerFunds | Neutral | 1.80 |
| Columbia | Neutral | 1.77 |
| Total Market Share of Top 10 Asset Managers | | 83.10 |

Source: Morningstar, Inc. as of 12/31/2013

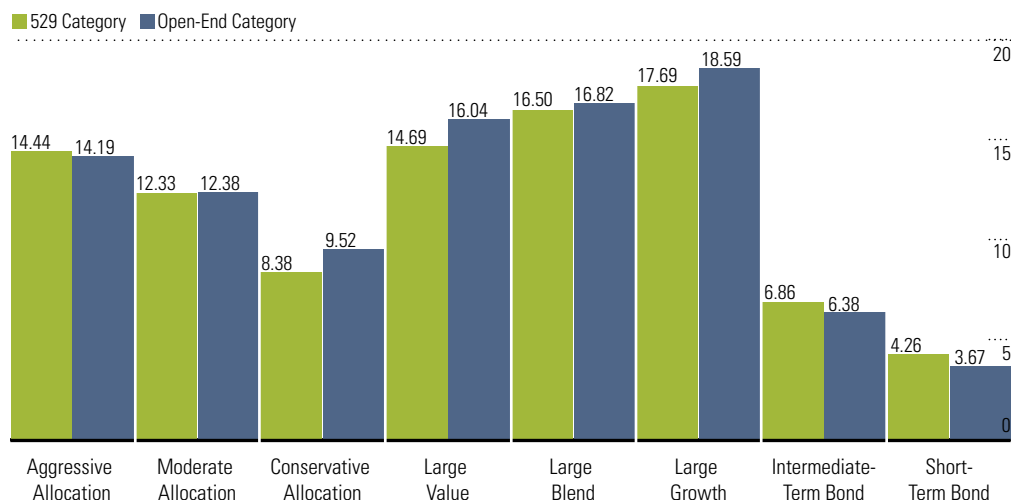
All three of the market leaders have their investments represented in more than one plan, which suggests a broader validation of these firms' investment processes. This also suggests that 529 program managers purposely seek strong stewards of capital, as captured by a Positive Morningstar Parent rating, a component of the Morningstar Analyst Rating. For more on how these asset managers stack up from a stewardship-of-capital perspective, see the Parent section of this paper.

Performance

On average, the long-term performance of 529 investment options continues to look unimpressive relative to similar peers in the broader mutual fund universe.

Over the five-year period through Dec. 31, 2013, five of the eight most-prominent static Morningstar 529 categories trail their respective open-end fund categories on an annualized basis. For the most part, the gap was relatively narrow. For example, among large-blend investments, the average 529 option trailed the analogous open-end mutual fund by roughly 0.30 percentage points per year. The largest gaps are with the large-value and conservative-allocation categories, in which the average 529 investment trailed its average open-end peer by more than 1 percentage point per year.

Exhibit 9 529 Investment Option and Open-End Mutual Fund 5-Year Category Average Returns



Source: Morningstar, Inc. as of 12/31/2013

In a few cases, however, 529 categories have outperformed their mutual fund categories. As was the case for the five-year period ended in 2012, 529 investment options in the short-term bond category again edged past their average open-end rival. For the past five years through Dec. 31, 2013, the 529 investment options in the intermediate-term bond and aggressive-allocation categories also earned a slight performance edge over similar mutual funds.

Several structural features of 529 investment options can lead to performance differentials relative to their open-end peers. For one, most 529 investment options carry heftier price tags than similar mutual funds, creating a constant headwind for their returns. (For more information on expenses of 529 plans and other investments, see the Price section of this paper.)

In addition, within equity categories, the typical 529 investment option has a larger stake in international stocks than the typical mutual fund. For example, in Morningstar's 529 static large-blend category, the average option invests 16% in international stocks, while the typical traditional large-blend mutual fund has only 5% invested abroad. With U.S. stocks on a tear during 2013, traditional mutual funds received a relative boost. Also, 529 investment options tend to take on more passive exposure than their mutual fund counterparts. In markets where active management shines, investors can reasonably expect index-heavy 529 investments to lag. In markets where active management suffers, 529 investments may do better on average (assuming they can overcome the higher 529 fee hurdle). For example, many active large-blend managers have had trouble beating the S&P 500 Index since 2010, which allowed indexed options' returns to exceed the 529 large-blend category average. But the opposite was true in 2009, when active managers outperformed.

More so, 529 bond-heavy categories frequently take less credit risk than their open-end counterparts. Fear of losses, particularly in the wake of 2008, has led plan managers to select options with higher credit quality or more cash. Indeed, the intermediate-term bond category for 529 investment options has an average credit quality of A and 15% of assets in cash, while the same category for traditional mutual funds has an average credit quality of BBB and doesn't hold any cash. Holding more cash and shorter-term debt helped 529 bond categories earn a slight edge recently relative to their respective mutual fund categories. Understandably, the same cautious approach may likely hold 529 bond categories back when riskier bonds rally.

529s Continue to Lag Blended Benchmarks

Comparing performance among Morningstar categories for 529 investments and traditional open-end investments can provide helpful insight for college savers considering various vehicles for their college savings. To be sure, the majority of college savers in 529s choose an age-based track as the anchor of their investment, and there isn't a directly comparable mutual fund category to use to evaluate the typical 529 category's performance. Therefore, it can be informative to evaluate the performance of 529 investments relative to a corresponding benchmark that matches the average asset allocation to equities, bonds, and cash to see how the investments' results compare.

Exhibit 10 Returns of Age-Based Categories

| Name | Annualized Total Return % | | | | | | | | |
|-------------------------------|---------------------------|-------------------|-------------------------|------------------|-------------------|-------------------------|------------------|-------------------|-------------------------|
| | 3-Year | | | 5-Year | | | 10-Year | | |
| | Category Average | Blended Benchmark | Morningstar 529 Indexes | Category Average | Blended Benchmark | Morningstar 529 Indexes | Category Average | Blended Benchmark | Morningstar 529 Indexes |
| US 529 Age 0-6 High Equity | 11.35 | 15.35 | 13.36 | 15.52 | 17.04 | 18.26 | 6.58 | 7.15 | 8.87 |
| US 529 Age 0-6 Medium Equity | 10.08 | 12.72 | 11.27 | 14.11 | 14.30 | 15.41 | 6.02 | 6.57 | 8.19 |
| US 529 Age 0-6 Low Equity | 8.27 | 9.93 | 8.77 | 11.28 | 11.38 | 11.92 | 5.75 | 5.95 | 7.20 |
| US 529 Age 7-12 High Equity | 9.90 | 12.32 | 12.31 | 13.70 | 13.87 | 17.39 | 6.21 | 6.45 | 8.56 |
| US 529 Age 7-12 Medium Equity | 8.14 | 9.64 | 9.94 | 11.88 | 11.02 | 14.08 | 5.44 | 5.75 | 7.83 |

Exhibit 10 Returns of Age-Based Categories (Continued)

| Name | Annualized Total Return % | | | | | | | | |
|---------------------------------|---------------------------|-------------------|-------------------------|------------------|-------------------|-------------------------|------------------|-------------------|-------------------------|
| | 3-Year | | | 5-Year | | | 10-Year | | |
| | Category Average | Blended Benchmark | Morningstar 529 Indexes | Category Average | Blended Benchmark | Morningstar 529 Indexes | Category Average | Blended Benchmark | Morningstar 529 Indexes |
| US 529 Age 7-12 Low Equity | 5.61 | 6.83 | 7.36 | 8.37 | 8.11 | 10.54 | 4.67 | 5.21 | 6.76 |
| US 529 Age 13-18 High Equity | 7.48 | 9.66 | 9.91 | 11.46 | 11.08 | 14.62 | 5.27 | 5.82 | 8.03 |
| US 529 Age 13-18 Medium Equity | 5.71 | 7.00 | 7.33 | 8.58 | 8.21 | 11.12 | 4.72 | 5.03 | 7.01 |
| US 529 Age 13-18 Low Equity | 3.22 | 3.90 | 4.45 | 4.87 | 4.88 | 7.40 | 3.35 | 4.16 | 5.69 |
| US 529 Age 19+ High Equity | 4.71 | 5.49 | 7.03 | 8.58 | 6.61 | 11.25 | 4.34 | 4.68 | 7.11 |
| US 529 Age 19+ Medium Equity | 3.20 | 4.49 | 4.38 | 5.14 | 5.43 | 7.64 | 3.12 | 4.08 | 5.92 |
| US 529 Age 19+ Low Equity | 1.10 | 1.62 | 2.35 | 2.00 | 2.18 | 4.32 | 2.40 | 2.88 | 4.70 |
| Barclays US Agg Bond TR USD | 3.26 | — | — | 4.44 | — | — | 4.55 | — | — |
| S&P 500 TR USD | 16.18 | — | — | 17.94 | — | — | 7.41 | — | — |
| USTREAS T-Bill Auction Ave 3Mon | 0.07 | — | — | 0.10 | — | — | 1.64 | — | — |

Source: Morningstar, Inc. as of 12/31/2013

Using this lens, 529 age-based options fall short across the board. The blended benchmark weights the returns of the S&P 500 Index, the Barclays U.S. Aggregate Bond Index, and the 3-month U.S. Treasury bill according to each category's average allocation to stocks, bonds, and cash to determine benchmark performance. While a few 529 categories outperformed the blended benchmark over the past five years (notably, the US 529 age 19+ high equity category comes out ahead by nearly 2 percentage points per year), every category lags during the trailing three- and 10-year periods.

As was the case for the comparison of 529 static categories with traditional mutual funds, the performance gap within the age-based options can be attributed to structural differences between 529 investments and the benchmarks. For one, expenses continue to be a drag on returns for 529 investment options. In addition, 529 age-based options tend to be more diversified across asset classes and geographies, including investments such as international stocks and Treasury Inflation-Protected Securities, which can affect performance.

In early 2014, Morningstar launched a series of 529 indexes that provide a diversified benchmark for 529 investment options. Similar to the Morningstar 529 age-based categories that reflect high-, medium-, or low-equity tracks, the Morningstar 529 indexes have three different risk tracks--aggressive, moderate, and conservative--to correspond with investors' varying risk preferences. Each benchmark invests in between six and 18 underlying Morningstar indexes, providing a wide array of exposure to different broad and subasset classes.

Morningstar's 529 indexes are more diversified than most 529 plans' age-based options, and, at times, that mix of asset classes boosts relative returns. Indeed, 529 age-based investments have lagged. Over the 10-year period, the 529 options fall short by an average of 2.3

percentage points per year. For college savers socking away \$1,200 per year during the period, that difference would work out to an approximate gap of \$1,600.

Expenses are to blame for many of these shortfalls. Neither the blended benchmark nor the Morningstar indexes include expenses, although a basket of comparable open-end indexed mutual funds or similar exchange-traded funds is cheaply available. However, it is also worth noting that 529 investors don't pay taxes on their investments' gains when used for qualified higher education expenses, so their actual proceeds may be higher than what they would get on an aftertax basis with a passive portfolio of investments mimicking the benchmarks.

Long-term returns are one way to measure performance of the investment options within 529 plans, but it is also important to consider how those returns were earned. Did the investment options provide steady gains or did they jump around, riding high before making stomach-churning drops? Looking at returns in terms of their volatility can give investors an idea of whether they are being compensated for extra bumps in the road and if they would be better off looking for an investment that can deliver a smoother ride. The Morningstar Rating, better known as the star rating, compares risk-adjusted returns of investments in the same category and provides college savers with a gauge to easily see whether their 529 investments brought more return with less volatility. The rating is calculated over three-, five-, and 10-year periods, so an investment must have at least three years of returns before it will earn a star rating. Both mutual funds and 529 investments earn 3 stars if their risk-adjusted performance is near the middle of their peer groups; 4- and 5-star investments are those that outperformed their peer groups; and 1- and 2-star investments underperformed their peer groups. The star rating uses a bell-curve distribution, so the largest subset of investments receives 3 stars.

Exhibit 11 Plan Average Overall Morningstar Ratings

| State | Plan Name | Average Overall Morningstar Rating (unit=stars) | | |
|-------|---|---|----------------|---------------------------|
| | | Equal-Weighted | Asset-Weighted | Plan Assets with Rating % |
| AK | T. Rowe Price College Savings Plan | 4.08 | 3.97 | 97.49 |
| AK | University of Alaska College Savings Plan | 4.08 | NA | NA |
| UT | Utah Educational Savings Plan | 3.84 | 4.26 | 80.47 |
| NV | USAA College Savings Plan | 3.83 | 3.23 | 98.69 |
| GA | Path2College 529 Plan | 3.67 | 3.96 | 22.54 |
| NY | New York's 529 Program (Direct) | 3.67 | 3.89 | 94.78 |
| MD | Maryland College Investment Plan | 3.67 | 3.73 | 98.89 |
| KS | Schwab 529 College Savings Plan | 3.64 | 3.42 | 94.66 |
| OH | CollegeAdvantage 529 Savings Plan | 3.60 | 4.14 | 96.56 |
| NM | The Education Plan | 3.50 | 3.51 | 97.18 |
| VA | CollegeAmerica | 3.43 | 3.63 | 91.61 |
| AL | CollegeCounts 529 Fund | 3.42 | 3.38 | 98.08 |
| IN | CollegeChoice 529 Direct Savings Plan | 3.42 | 3.24 | 86.94 |
| SC | Future Scholar 529 (Direct) | 3.40 | 3.30 | 92.95 |
| NV | The Vanguard 529 College Savings Plan | 3.36 | 3.23 | 95.79 |

Exhibit 11 Plan Average Overall Morningstar Ratings (Continued)

| State | Plan Name | Average Overall Morningstar Rating (unit=stars) | | |
|-------|---|---|----------------|---------------------------|
| | | Equal-Weighted | Asset-Weighted | Plan Assets with Rating % |
| IA | College Savings Iowa 529 Plan | 3.31 | 3.49 | 92.09 |
| OR | Oregon College Savings Plan | 3.31 | 3.32 | 56.00 |
| PA | Pennsylvania 529 Investment Plan | 3.29 | 2.95 | 96.40 |
| VA | Virginia529 inVEST | 3.25 | 3.04 | 96.80 |
| NJ | NJBEST 529 College Savings Plan | 3.24 | 3.55 | 97.26 |
| AK | John Hancock Freedom 529 | 3.22 | 3.10 | 96.65 |
| IL | Bright Directions College Savings Program | 3.19 | 2.98 | 95.41 |
| ME | NextGen College Investing Plan Direct | 3.17 | 3.33 | 94.53 |
| WV | SMART529 WV Direct College Savings Plan | 3.17 | 3.32 | 100.00 |
| OK | Oklahoma College Savings Plan | 3.08 | 2.85 | 89.34 |
| IL | Bright Start College Savings (Direct) | 3.06 | 3.47 | 96.26 |
| AZ | Fidelity Arizona College Savings Plan | 3.04 | 2.94 | 93.89 |
| WV | The Hartford SMART529 | 3.03 | 2.39 | 99.01 |
| OR | MFS 529 Savings Plan | 3.03 | 2.91 | 98.17 |
| TX | Texas College Savings Plan | 3.00 | 3.09 | 97.36 |
| MI | Michigan Education Savings Program | 3.00 | 3.00 | 23.29 |
| MS | Mississippi Affordable (Direct) | 3.00 | 3.00 | 30.82 |
| CO | Scholars Choice College Savings Program | 2.97 | 2.86 | 97.67 |
| KS | LearningQuest 529 Program (Direct) | 2.97 | 2.93 | 97.54 |
| CO | CollegInvest Direct Portfolio | 2.95 | 3.16 | 95.43 |
| MA | U.Fund College Investing Plan | 2.91 | 2.55 | 94.95 |
| MO | MOST Missouri's 529 Plan | 2.90 | 3.14 | 86.94 |
| KY | Kentucky Education Savings Plan Trust | 2.90 | 3.01 | 92.08 |
| HI | HI529—Hawaii's College Savings Program | 2.89 | 3.26 | 95.48 |
| MN | Minnesota College Savings Plan | 2.89 | 2.97 | 89.50 |
| CT | CHET Advisor College Savings Plan | 2.88 | 2.68 | 95.51 |
| NH | UNIQUE College Investing Plan | 2.86 | 2.71 | 93.90 |
| DE | Delaware College Investment Plan | 2.86 | 2.69 | 96.88 |
| SC | Future Scholar 529 (Advisor) | 2.84 | 2.46 | 89.46 |
| WV | SMART529 Select College Savings Plan | 2.82 | 2.81 | 100.00 |
| SD | CollegeAccess 529 | 2.80 | 2.24 | 95.26 |
| CT | Connecticut Higher Education Trust | 2.79 | 2.43 | 88.41 |
| AL | CollegeCounts 529 Fund Advisor Plan | 2.76 | 2.56 | 95.37 |
| FL | Florida 529 Savings Plan | 2.75 | 2.57 | 94.39 |
| ME | NextGen College Investing Plan Select | 2.71 | 2.37 | 95.97 |
| NM | Scholar's Edge | 2.70 | 2.87 | 96.40 |
| VT | Vermont Higher Education Investment Plan | 2.70 | 2.56 | 92.57 |
| AZ | Ivy Funds InvestEd 529 Plan | 2.62 | NA | NA |
| MI | MI 529 Advisor | 2.61 | 2.21 | 99.04 |
| MT | MFESP Investment Plan | 2.60 | 2.59 | 100.00 |
| OH | BlackRock CollegeAdvantage 529 Plan | 2.58 | 1.97 | 97.13 |
| MO | MOST 529 Advisor Plan | 2.58 | 2.26 | 79.80 |
| DC | DC College Savings Program | 2.55 | 2.66 | 90.86 |
| NE | State Farm College Savings Plan | 2.44 | 2.58 | 98.49 |
| NH | Fidelity Advisor 529 Plan | 2.40 | 1.96 | 97.42 |
| ND | College SAVE | 2.39 | 2.38 | 96.23 |
| RI | CollegeBoundfund Direct | 2.38 | 1.82 | 87.69 |
| AR | iShares 529 Plan | 2.32 | 2.57 | 93.98 |
| NV | Putnam 529 for America | 2.20 | 2.26 | 95.33 |
| NJ | Franklin Templeton 529 College Savings Plan | 2.19 | 2.64 | 97.95 |

| State | Plan Name | Average Overall Morningstar Rating (unit=stars) | | |
|-------|---|---|----------------|---------------------------|
| | | Equal-Weighted | Asset-Weighted | Plan Assets with Rating % |
| AR | GIFT College Investing Plan | 2.17 | 2.18 | 96.75 |
| OK | OklahomaDream529 | 2.12 | 1.69 | 87.92 |
| ID | IDeal - Idaho College Savings Program | 2.11 | 2.00 | 96.11 |
| IL | Bright Start College Savings (Advisor) | 2.08 | 2.62 | 96.09 |
| IN | CollegeChoice Advisor 529 Savings Plan | 2.03 | 1.78 | 95.02 |
| RI | CollegeBoundfund | 1.98 | 1.31 | 90.13 |
| KS | LearningQuest 529 Program (Advisor) | 1.80 | 1.94 | 98.31 |
| TX | LoneStar 529 Plan | 1.58 | 1.35 | 97.40 |
| CA | ScholarShare College Savings Plan | NA | NA | NA |
| IA | IAdvisor 529 Plan | NA | NA | NA |
| LA | The Louisiana START Saving For College | NA | NA | NA |
| NC | National College Savings Program | NA | NA | NA |
| NE | NEST Advisor College Savings Plan | NA | NA | NA |
| NE | NEST Direct College Savings Plan | NA | NA | NA |
| NE | TD Ameritrade 529 College Savings Plan | NA | NA | NA |
| NV | SSgA Upromise 529 Plan | NA | NA | NA |
| NY | New York's 529 Program (Advisor-Guided) | NA | NA | NA |
| TN | TNStars College Saving 529 Program | NA | NA | NA |
| WI | Edvest 529 Plan | NA | NA | NA |
| WI | Tomorrow's Scholar 529 Plan | NA | NA | NA |

Source: Morningstar, Inc. as of 12/31/2013

In comparing overall star ratings as of Dec. 31, 2013, across plans on an equal-weighted basis, several plans stand out for performance--both good and bad--on a risk-adjusted basis. Two direct-sold plans offered by Alaska, T. Rowe Price College Savings Plan and University of Alaska College Savings Plan, earn the highest average star rating of 4.08. These plans offer age-based tracks with a blend of passive and active managers from program manager T. Rowe Price, and the strong performance of the underlying investments boosts results across the plan's investment options.

The direct-sold Utah Educational Savings Plan also earns noteworthy risk-adjusted results with an average 3.84-star rating across its investment options. This plan uses a variety of low-cost Vanguard index funds within its age-based and balanced options. It also introduced several DFA funds to the lineup in 2013, although those portfolios have too short of a track record within the plan to earn star ratings.

In addition to looking at Morningstar Ratings on an equal-weighted basis by plan, college savers also can consider them on an asset-weighted basis, which better represents the investor experience. In this calculation, investment options with more assets are counted more heavily. However, asset-weighted calculations within 529 plans can be tricky because of the way those assets are reported to Morningstar. For example, for any plan in which the age-based options invest in static funds also offered within the plan, assets are reported only for the static funds. In these cases, the asset value assigned to the age-based options is \$0, and their star ratings are therefore excluded from the asset-weighted calculation.

The table above illustrates that some plans' asset-weighted star ratings are superior to the equal-weighted average. This is the case with Utah: Its asset-weighted Morningstar Rating clocks in at 4.26, the highest among its peers.

In contrast, the plans with the lowest average Morningstar Rating as of the end of 2013 are advisor-sold plans. These plans are typically more expensive than their direct-sold counterparts, and expenses eat into investment returns. In addition to higher fees, these plans often hold more in actively managed investments, which have had a difficult time keeping up with passively managed investments in recent years. (Plans listed near the end of the exhibit that do not have average Morningstar Ratings contain younger options that don't have enough months of performance to calculate a Morningstar Rating.)

While the star ratings are a grade of a fund's past performance, college savers should remember that they come with limits. Star ratings compare investments within their Morningstar category peer groups. Morningstar's 529 categories often include a wider range of investment styles than the comparable open-end mutual fund categories. For instance, there is no 529 category for emerging-markets stock investments as there is in the open-end mutual fund universe because there are not enough emerging-markets 529 investments to support a stand-alone category. Instead, emerging-markets 529 investment options are included in the all-encompassing non-U.S. equity category and contribute a wider range of returns than one would see across the numerous non-U.S. equity categories for open-end mutual funds.

In addition, it is worth noting that plans may change rankings significantly over time. Several plans have a small percentage of assets in funds that earn a star rating, such as the Michigan Education Savings Program, which has only 23% of assets with a star rating. These plans' averages may move in the rankings as more funds earn Morningstar ratings. Plans less likely to move, however, are those with poor performance where most assets receive a star rating, like Kansas' LearningQuest 529 Program (Advisor). Few long-tenured, poorly performing plans exist today because plans with poor historical performance usually are either completely rebuilt or heavily reconstructed. In Wisconsin, for example, Tomorrow's Scholar 529 Plan and EdVest 529 Plan implemented significant changes in 2012 after they turned in mediocre performances in years prior.

Price

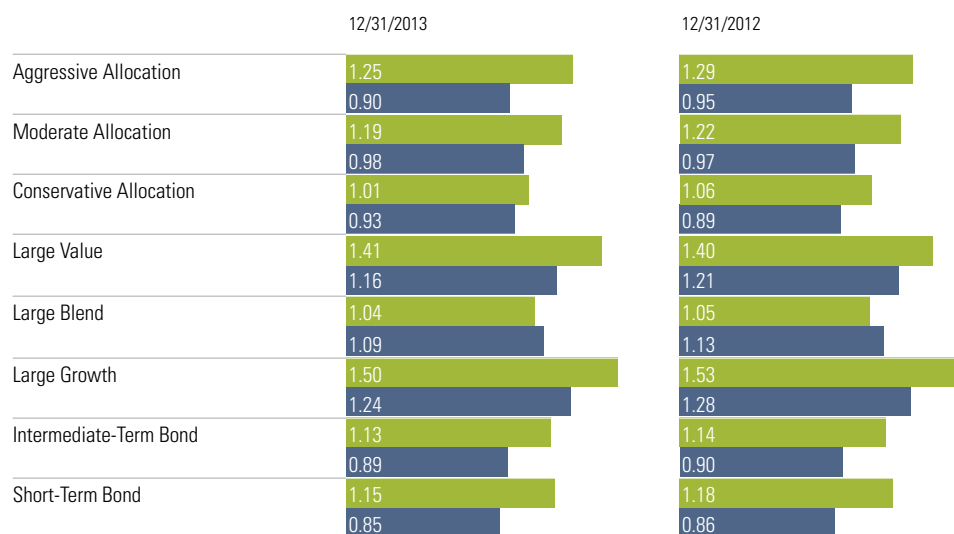
A plan's cost is an important component to consider when evaluating a 529 investment option, as it is one of the few factors that an investor can directly control and evaluate ahead of time.

Because of a myriad of factors, including smaller asset bases and costs associated with state-level administration and marketing, 529 investment options typically carry more-expensive price tags than comparable traditional open-end mutual funds. Fortunately for college savers, costs across the industry have come down in recent years. Since Morningstar began tracking the movements in 529 investments' fees in 2010 through the end of 2013, the cost gap between the average 529 category expense ratio and that of the analogous open-end mutual fund category has shrunk to 21 basis points from 40 basis points.

Costs have decreased on average, although all but one of Morningstar's 529 categories still cost more than their respective open-end category. The largest gap is among aggressive allocation investments, in which the typical 529 aggressive allocation option costs 35 basis points more than the similar open-end mutual fund. The only category to reverse this trend is large-blend, in which the average 529 option costs 5 basis points less. The large-blend category is home to index funds that track prominent U.S. stock indexes, such as the S&P 500 Index, and passive investments cost less than most category peers. As passive investments have taken up a prominent position in many 529 plans, it makes sense that this category carries a generally lower price tag.

Exhibit 12 529 Investment Option and Open-End Mutual Fund Total Expense Ratios

■ 529 Investment ■ Open-End Mutual Fund



Source: Morningstar, Inc. as of 12/31/2013

Overall, the trend in lower costs is due to a number of factors, including a growing use of low-cost passive mutual funds and ETFs for age-based and stand-alone investment options. In addition, several plan sponsors and program managers have aggressively cut administration and maintenance costs. For example, Fidelity is the program manager of four direct-sold plans and, along with its state sponsors, cut fees at each of the plans' index-based options below most peers'.

Exhibit 13 Plan Average Total Expense Ratios and Fee Levels

| State | Plan Name | Sales Channel | Average Total Expense Ratio % | Average Morningstar Fee Level – Distribution Percentile Rank |
|-------|--|---------------|-------------------------------|--|
| SC | Future Scholar 529 (Direct) | Direct | 0.13 | 4 |
| NY | New York's 529 Program (Direct) | Direct | 0.17 | 4 |
| UT | Utah Educational Savings Plan | Direct | 0.21 | 13 |
| MI | Michigan Education Savings Program | Direct | 0.25 | 21 |
| WI | Edvest 529 Plan | Direct | 0.25 | 20 |
| NV | The Vanguard 529 College Savings Plan | Direct | 0.26 | 20 |
| IA | College Savings Iowa 529 Plan | Direct | 0.28 | 25 |
| OH | CollegeAdvantage 529 Savings Plan | Direct | 0.33 | 32 |
| GA | Path2College 529 Plan | Direct | 0.34 | 40 |
| WV | SMART529 WV Direct College Savings Plan | Direct | 0.35 | 35 |
| MO | MOST Missouri's 529 Plan | Direct | 0.35 | 36 |
| CA | ScholarShare College Savings Plan | Direct | 0.36 | 34 |
| AL | CollegeCounts 529 Fund | Direct | 0.37 | 38 |
| NC | National College Savings Program | Direct | 0.38 | 45 |
| PA | Pennsylvania 529 Investment Plan | Direct | 0.40 | 49 |
| CT | Connecticut Higher Education Trust | Direct | 0.40 | 47 |
| RI | CollegeBoundfund Direct | Direct | 0.40 | 31 |
| IL | Bright Start College Savings (Direct) | Direct | 0.41 | 41 |
| MN | Minnesota College Savings Plan | Direct | 0.41 | 48 |
| TN | TNStars College Saving 529 Program | Direct | 0.41 | 46 |
| VA | Virginia529 inVEST | Direct | 0.43 | 39 |
| OR | Oregon College Savings Plan | Direct | 0.43 | 50 |
| CO | CollegeInvest Direct Portfolio | Direct | 0.46 | 55 |
| NE | NEST Direct College Savings Plan | Direct | 0.48 | 53 |
| NM | The Education Plan | Direct | 0.50 | 52 |
| IN | CollegeChoice 529 Direct Savings Plan | Direct | 0.50 | 58 |
| ME | NextGen College Investing Plan Direct | Direct | 0.51 | 57 |
| VT | Vermont Higher Education Investment Plan | Direct | 0.51 | 57 |
| NV | SSgA Upromise 529 Plan | Direct | 0.54 | 60 |
| OK | Oklahoma College Savings Plan | Direct | 0.58 | 62 |
| KY | Kentucky Education Savings Plan Trust | Direct | 0.59 | 61 |
| AR | iShares 529 Plan | Advisor | 0.59 | 17 |
| KS | LearningQuest 529 Program (Direct) | Direct | 0.61 | 62 |
| TX | Texas College Savings Plan | Direct | 0.61 | 68 |
| MS | Mississippi Affordable (Direct) | Direct | 0.62 | 67 |
| DE | Delaware College Investment Plan | Direct | 0.68 | 59 |
| AZ | Fidelity Arizona College Savings Plan | Direct | 0.68 | 59 |
| NH | UNIQUE College Investing Plan | Direct | 0.68 | 59 |
| MA | U.Fund College Investing Plan | Direct | 0.68 | 62 |
| NE | TD Ameritrade 529 College Savings Plan | Direct | 0.68 | 71 |

Exhibit 13 Plan Average Total Expense Ratios and Fee Levels (Continued)

| State | Plan Name | Sales Channel | Average Total Expense Ratio % | Average Morningstar Fee Level – Distribution Percentile Rank |
|-------|---|--------------------|-------------------------------|--|
| FL | Florida 529 Savings Plan | Direct | 0.71 | 74 |
| WV | SMART529 Select College Savings Plan | Direct | 0.74 | 76 |
| AK | T. Rowe Price College Savings Plan | Direct | 0.75 | 74 |
| AR | GIFT College Investing Plan | Direct | 0.75 | 79 |
| HI | HI529 - Hawaii's College Savings Program | Direct | 0.75 | 80 |
| MD | Maryland College Investment Plan | Direct | 0.76 | 76 |
| AK | University of Alaska College Savings Plan | Direct | 0.76 | 76 |
| NJ | NJBEST 529 College Savings Plan | Direct | 0.80 | 82 |
| ID | IDeal – Idaho College Savings Program | Direct | 0.82 | 85 |
| IL | Bright Start College Savings (Advisor) | Advisor | 0.84 | 22 |
| ND | College SAVE | Direct | 0.85 | 87 |
| MT | MFESP Investment Plan | Direct | 0.86 | 84 |
| NV | USAA College Savings Plan | Direct | 0.88 | 92 |
| KS | Schwab 529 College Savings Plan | Direct | 0.92 | 83 |
| NE | State Farm College Savings Plan | Advisor | 1.04 | 26 |
| RI | CollegeBoundfund | Advisor | 1.12 | 33 |
| NE | NEST Advisor College Savings Plan | Advisor | 1.14 | 21 |
| IL | Bright Directions Coll Savings Program | Advisor | 1.15 | 47 |
| VA | CollegeAmerica | Advisor | 1.19 | 24 |
| DC | DC College Savings Program | Advisor and Direct | 1.20 | 88 |
| CO | Scholars Choice College Savings Program | Advisor | 1.23 | 38 |
| AZ | Ivy Funds InvestEd 529 Plan | Advisor | 1.25 | 60 |
| SC | Future Scholar 529 (Advisor) | Advisor | 1.25 | 28 |
| OH | BlackRock CollegeAdvantage 529 Plan | Advisor | 1.27 | 60 |
| IN | CollegeChoice Advisor 529 Savings Plan | Advisor | 1.32 | 36 |
| WI | Tomorrow's Scholar 529 Plan | Advisor | 1.33 | 46 |
| AL | CollegeCounts 529 Fund Advisor Plan | Advisor | 1.34 | 50 |
| NY | New York's 529 Program (Advisor-Guided) | Advisor | 1.35 | 63 |
| CT | CHET Advisor College Savings Plan | Advisor | 1.37 | 64 |
| ME | NextGen College Investing Plan Select | Advisor | 1.45 | 55 |
| MO | MOST 529 Advisor Plan | Advisor | 1.46 | 45 |
| WV | The Hartford SMART529 | Advisor | 1.47 | 55 |
| MI | MI 529 Advisor | Advisor | 1.48 | 61 |
| OK | OklahomaDream529 | Advisor | 1.51 | 67 |
| NM | Scholar's Edge | Advisor | 1.52 | 52 |
| SD | CollegeAccess 529 | Advisor and Direct | 1.55 | 67 |
| NV | Putnam 529 for America | Advisor | 1.57 | 57 |
| NH | Fidelity Advisor 529 Plan | Advisor | 1.60 | 51 |
| TX | LoneStar 529 Plan | Advisor | 1.61 | 71 |
| KS | LearningQuest 529 Program (Advisor) | Advisor | 1.62 | 84 |
| NJ | Franklin Templeton 529 College Savings Plan | Advisor | 1.74 | 80 |
| OR | MFS 529 Savings Plan | Advisor | 1.78 | 73 |
| IA | IAAdvisor 529 Plan | Advisor | 1.80 | 88 |
| AK | John Hancock Freedom 529 | Advisor | 1.88 | 83 |

Source: Morningstar, Inc. as of 12/31/2013

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 peer-beating returns while the passive portions keep volatility in line with the market and limit manager-specific risk. The cost of running this range of strategies—active, passive, and blended—varies and makes it difficult to compare prices.

To better compare 529 expenses, Morningstar divided 529 age-based options into groups based on their distribution channel and underlying investment types. After dividing the age-based options by whether they are direct- or advisor-sold, Morningstar categorizes the options into one of three groups: actively managed, passively managed, or a blend of the two. (The “blend” groups are defined as having between 20% and 80% in active management.) Morningstar then determines the average total expense ratio for each age-based track.

Exhibit 14 Age-Based Track Total Expense Ratio Ranges by Distribution Type

| | Minimum % | Maximum % | Average % |
|------------------------------------|-----------|-----------|-----------|
| Direct-Sold | | | |
| Actively Managed Age-Based Tracks | 0.20 | 1.40 | 0.81 |
| Passively Managed Age-Based Tracks | 0.08 | 0.85 | 0.37 |
| Blended Age-Based Tracks | 0.25 | 1.35 | 0.61 |
| Advisor-Sold | | | |
| Actively Managed Age-Based Tracks | | | |
| No Load | 0.82 | — | — |
| A Shares | 0.57 | 1.49 | 1.08 |
| C Shares | 0.80 | 2.24 | 1.74 |
| Passively Managed Age-Based Tracks | | | |
| No Load | 0.59 | — | — |
| A Shares | 0.64 | 0.85 | 0.75 |
| C Shares | 1.39 | 1.60 | 1.50 |
| Blended Age-Based Tracks | | | |
| A Shares | 0.42 | 1.51 | 1.06 |
| C Shares | 0.42 | 2.26 | 1.54 |

Source: Morningstar, Inc. as of 12/31/2013

Passively managed age-based tracks tend to cost less than those that blend active and passive investments, which in turn are typically less expensive than those composed of entirely active managers. Direct-sold plans tend to be populated with index funds, as these low-cost and broad-based investments provide straightforward exposure to various asset classes and are generally easy to use. In turn, direct-sold plans on average cost less than advisor-sold plans, which tend to offer a larger number of actively managed funds and include the compensation for advisors giving financial guidance and navigating the more complex lineup. The cost differential between direct-sold and advisor-sold investments is notable even for similar investments. The typical passively managed age-based option within an advisor-

sold plan charges 0.75%, double the 0.37% of a passively managed age-based option within the typical direct-sold plan. A more expensive passively managed fund has no opportunity to outperform a cheaper alternative.

Comparing the absolute costs of age-based options across strategy types and distribution channel can be informative for investors weighting whether they prefer active or passive investments and if they would like to work with an advisor; it can also be helpful to compare costs within each subset. There is a wide range of fees charged within each group. For example, among direct-sold, passively managed age-based options, fees range from 8 to 85 basis points, a meaningful difference that can have a significant effect on performance. That wide gap holds true even among plans using similar underlying investments, such as North Dakota's College SAVE and New York's 529 Program (Direct), both of which use well-regarded Vanguard index funds to populate their age-based tracks. Despite this similarity, the North Dakota plan's three age-based tracks charge the highest levy (85 basis points) among direct-sold, passively managed options, while the options within New York's plan cost a mere 17 basis points. To be sure, New York has a much larger participant base and asset pool, but it's disappointing that states and program managers continue to allow for such large price discrepancies.

Exhibit 15 Average Total Expense Ratios by Age-Based Track, Direct-Sold

| State | Plan Name | Track Name | Average of Total Expense Ratio % | Average Morningstar Fee Level – Distribution Percentile Rank |
|--|---------------------------------------|------------------------|----------------------------------|--|
| Direct-Sold Actively Managed Age-Based Tracks | | | | |
| RI | CollegeBoundfund Direct | Age-Based Aggressive | 0.20 | 6 |
| RI | CollegeBoundfund Direct | Age-Based Moderate | 0.20 | 7 |
| RI | CollegeBoundfund Direct | Age-Based Conservative | 0.20 | 6 |
| CA | ScholarShare College Savings Plan | Active Age-Based | 0.53 | 60 |
| SD | CollegeAccess 529 | Age-Based | 0.63 | 66 |
| NJ | NJBEST 529 College Savings Plan | Conservative | 0.68 | 68 |
| ME | NextGen College Investing Plan Direct | BR Age-Based | 0.73 | 77 |
| WV | SMART529 Select College Savings Plan | Age-Based | 0.74 | 76 |
| FL | Florida 529 Savings Plan | Age-Based | 0.76 | 79 |
| NJ | NJBEST 529 College Savings Plan | Moderate | 0.83 | 87 |
| DE | Delaware College Investment Plan | Age-Based Active | 0.88 | 84 |
| AZ | Fidelity Arizona College Savings Plan | Age-Based Active | 0.88 | 84 |
| MA | U.Fund College Investing Plan | Age-Based Active | 0.88 | 84 |
| NH | UNIQUE College Investing Plan | Age-Based Active | 0.88 | 84 |
| KS | Schwab 529 College Savings Plan | Moderately Cons | 0.89 | 88 |
| NV | USAA College Savings Plan | Age-Based | 0.90 | 90 |
| NJ | NJBEST 529 College Savings Plan | Growth | 0.93 | 93 |
| KS | Schwab 529 College Savings Plan | Moderate | 0.97 | 89 |
| KS | Schwab 529 College Savings Plan | Moderately Agg | 1.02 | 91 |
| KS | Schwab 529 College Savings Plan | Aggressive | 1.14 | 94 |
| DE | Delaware College Investment Plan | Age-Based Multi-Firm | 1.24 | 96 |
| AZ | Fidelity Arizona College Savings Plan | Age-Based Multi-Firm | 1.24 | 96 |
| MA | U.Fund College Investing Plan | Age-Based Multi-Firm | 1.24 | 96 |
| NH | UNIQUE College Investing Plan | Age-Based Multi-Firm | 1.24 | 96 |

Exhibit 15 Average Total Expense Ratios by Age-Based Track, Direct-Sold (Continued)

| State | Plan Name | Track Name | Average of Total Expense Ratio % | Average Morningstar Fee Level – Distribution Percentile Rank |
|---|---|-----------------------------|----------------------------------|--|
| Direct-Sold Blended Age-Based Tracks | | | | |
| TN | TNStars College Saving 529 Program | Age Based Option | 0.35 | 38 |
| GA | Path2College 529 Plan | Managed Option | 0.37 | 43 |
| CT | Connecticut Higher Education Trust | Aggressive | 0.39 | 46 |
| CT | Connecticut Higher Education Trust | Moderate | 0.40 | 49 |
| CT | Connecticut Higher Education Trust | Conservative | 0.41 | 51 |
| OH | CollegeAdvantage 529 Savings Plan | Advantage Age-Based | 0.43 | 52 |
| NE | NEST Direct College Savings Plan | Conservative | 0.44 | 52 |
| NE | NEST Direct College Savings Plan | Growth | 0.47 | 55 |
| NE | NEST Direct College Savings Plan | Aggressive | 0.47 | 56 |
| VA | Virginia529 inVEST | Age-Based | 0.53 | 55 |
| KS | LearningQuest 529 Program (Direct) | Conservative | 0.60 | 62 |
| IL | Bright Start College Savings (Direct) | Age-Based Active | 0.62 | 68 |
| KS | LearningQuest 529 Program (Direct) | Moderate | 0.64 | 69 |
| NM | The Education Plan | Age-Based | 0.67 | 71 |
| NE | TD Ameritrade 529 College Savings Plan | Aggressive | 0.67 | 71 |
| NE | TD Ameritrade 529 College Savings Plan | Conservative | 0.67 | 71 |
| NE | TD Ameritrade 529 College Savings Plan | Growth | 0.68 | 72 |
| KS | LearningQuest 529 Program (Direct) | Aggressive | 0.72 | 75 |
| TX | Texas College Savings Plan | Age-Based Active | 0.72 | 75 |
| MD | Maryland College Investment Plan | Enrollment Based | 0.82 | 79 |
| AK | T. Rowe Price College Savings Plan | Enrollment Based | 0.84 | 80 |
| AK | University of Alaska College Savings Plan | Enrollment Based | 0.84 | 80 |
| DC | DC College Savings Program | Age-Based | 1.13 | 94 |
| Direct-Sold Passively Managed Age-Based Tracks | | | | |
| SC | Future Scholar 529 (Direct) | Conservative Track | 0.10 | 1 |
| SC | Future Scholar 529 (Direct) | Moderate Track | 0.12 | 1 |
| SC | Future Scholar 529 (Direct) | Aggressive Track | 0.13 | 2 |
| NY | New York's 529 Program (Direct) | Aggressive | 0.17 | 3 |
| NY | New York's 529 Program (Direct) | Conservative | 0.17 | 3 |
| NY | New York's 529 Program (Direct) | Moderate | 0.17 | 3 |
| IL | Bright Start College Savings (Direct) | Age-Based Index | 0.20 | 8 |
| UT | Utah Educational Savings Plan | Customized Age-Based | 0.20 | 6 |
| UT | Utah Educational Savings Plan | Age-Based Aggressive | 0.21 | 10 |
| | | Domestic | | |
| NV | The Vanguard 529 College Savings Plan | Aggressive | 0.21 | 11 |
| NV | The Vanguard 529 College Savings Plan | Conservative | 0.21 | 11 |
| NV | The Vanguard 529 College Savings Plan | Moderate | 0.21 | 11 |
| UT | Utah Educational Savings Plan | Age-Based Conservative | 0.21 | 13 |
| UT | Utah Educational Savings Plan | Age-Based Moderate | 0.22 | 15 |
| UT | Utah Educational Savings Plan | Age-Based Aggressive Global | 0.22 | 14 |
| WI | Edvest 529 Plan | Aggressive Age-Based Option | 0.23 | 16 |
| OH | CollegeAdvantage 529 Savings Plan | Age-Based Aggressive | 0.24 | 18 |
| CA | ScholarShare College Savings Plan | Passive Age-Based | 0.24 | 18 |
| OH | CollegeAdvantage 529 Savings Plan | Age-Based Moderate | 0.24 | 20 |

Exhibit 15 Average Total Expense Ratios by Age-Based Track, Direct-Sold (Continued)

| State | Plan Name | Track Name | Average of Total Expense Ratio % | Average Morningstar Fee Level – Distribution Percentile Rank |
|-------|--|---------------------------|----------------------------------|--|
| WI | Edvest 529 Plan | Age-Based Option | 0.25 | 20 |
| MI | Michigan Education Savings Program | Conservative Option | 0.25 | 22 |
| OH | CollegeAdvantage 529 Savings Plan | Age-Based Conservative | 0.26 | 23 |
| MI | Michigan Education Savings Program | Moderate Option | 0.26 | 24 |
| DE | Delaware College Investment Plan | Age-Based Index | 0.27 | 24 |
| AZ | Fidelity Arizona College Savings Plan | Age-Based Index | 0.27 | 24 |
| NH | UNIQUE College Investing Plan | Age-Based Index | 0.27 | 24 |
| MA | U.Fund College Investing Plan | Age-Based Index | 0.27 | 28 |
| MI | Michigan Education Savings Program | Aggressive Option | 0.27 | 25 |
| IA | College Savings Iowa 529 Plan | Conservative Growth | 0.28 | 27 |
| IA | College Savings Iowa 529 Plan | Growth | 0.28 | 27 |
| IA | College Savings Iowa 529 Plan | Moderate Growth | 0.28 | 27 |
| IA | College Savings Iowa 529 Plan | Aggressive Growth | 0.28 | 27 |
| MO | MOST Missouri's 529 Plan | Conservative | 0.31 | 33 |
| AL | CollegeCounts 529 Fund | Aggressive | 0.32 | 34 |
| MO | MOST Missouri's 529 Plan | Aggressive | 0.32 | 34 |
| MO | MOST Missouri's 529 Plan | Moderate | 0.32 | 34 |
| AL | CollegeCounts 529 Fund | Moderate | 0.32 | 34 |
| AL | CollegeCounts 529 Fund | Conservative | 0.33 | 36 |
| NM | The Education Plan | Age-Based Index | 0.35 | 39 |
| GA | Path2College 529 Plan | Aggressive Managed Option | 0.35 | 39 |
| ME | NextGen College Investing Plan Direct | iShares Age-Based | 0.36 | 41 |
| WV | SMART529 WV Direct College Savings Plan | Age-Based | 0.37 | 41 |
| NC | National College Savings Program | Aggressive | 0.37 | 43 |
| NC | National College Savings Program | Moderate | 0.38 | 43 |
| NE | NEST Direct College Savings Plan | Index | 0.38 | 45 |
| PA | Pennsylvania 529 Investment Plan | Aggressive | 0.38 | 45 |
| OR | Oregon College Savings Plan | Age-Based | 0.39 | 46 |
| NC | National College Savings Program | Conservative | 0.39 | 45 |
| PA | Pennsylvania 529 Investment Plan | Moderate | 0.39 | 47 |
| PA | Pennsylvania 529 Investment Plan | Conservative | 0.40 | 48 |
| KS | LearningQuest 529 Program (Direct) | Index | 0.44 | 52 |
| MN | Minnesota College Savings Plan | Age-Based | 0.46 | 54 |
| CO | CollegelInvest Direct Portfolio | Age-Based Conservative | 0.46 | 55 |
| CO | CollegelInvest Direct Portfolio | Age-Based Moderate | 0.46 | 55 |
| CO | CollegelInvest Direct Portfolio | Age-Based Aggressive | 0.46 | 55 |
| VT | Vermont Higher Education Investment Plan | Age-Based | 0.50 | 58 |
| NV | SSgA Upromise 529 Plan | College | 0.51 | 56 |
| TX | Texas College Savings Plan | Age-Based Index | 0.53 | 62 |
| IN | CollegeChoice 529 Direct Savings Plan | Age-Based | 0.54 | 61 |
| OK | Oklahoma College Savings Plan | Aggressive | 0.56 | 62 |
| OK | Oklahoma College Savings Plan | Moderate | 0.57 | 63 |
| NE | TD Ameritrade 529 College Savings Plan | Index | 0.58 | 65 |
| OK | Oklahoma College Savings Plan | Conservative | 0.59 | 65 |
| KY | Kentucky Education Savings Plan Trust | Age-Based | 0.60 | 65 |
| MS | Mississippi Affordable (Direct) | Age-Based | 0.67 | 73 |
| AR | GIFT College Investing Plan | Age-Based Conservative | 0.75 | 79 |
| AR | GIFT College Investing Plan | Age-Based Moderate | 0.75 | 79 |
| HI | HI529 - Hawaii's College Savings Program | Age-Based | 0.75 | 79 |
| AR | GIFT College Investing Plan | Age-Based Aggressive | 0.75 | 81 |

Exhibit 15 Average Total Expense Ratios by Age-Based Track, Direct-Sold (Continued)

| State | Plan Name | Track Name | Average of Total Expense Ratio % | Average Morningstar Fee Level – Distribution Percentile Rank |
|-------|---------------------------------------|--------------|----------------------------------|--|
| ID | IDeal - Idaho College Savings Program | Moderate | 0.81 | 84 |
| ID | IDeal - Idaho College Savings Program | Aggressive | 0.81 | 85 |
| ID | IDeal - Idaho College Savings Program | Conservative | 0.82 | 85 |
| ND | College SAVE | Conservative | 0.85 | 87 |
| ND | College SAVE | Moderate | 0.85 | 87 |
| ND | College SAVE | Aggressive | 0.85 | 88 |

Source: Morningstar, Inc. as of 12/31/2013

Exhibit 16 Average Total Expense Ratios by Age-Based Track, Advisor-Sold

| State | Plan Name | Track Name | Average of Total Expense | | | Average Morningstar Fee Level–Distribution Percentile Rank |
|---|---|------------------------|--------------------------|----------|----------|--|
| | | | No-Load | A-Shares | C-Shares | |
| Advisor-Sold Actively Managed Age-Based Tracks | | | | | | |
| CO | Scholars Choice College Savings Program | Enrollment Based | — | 0.84 | 1.34 | 16 |
| CO | Scholars Choice College Savings Program | Age-Based | — | 0.91 | 1.41 | 18 |
| IL | Bright Start College Savings (Advisor) | Age-Based | — | 0.92 | 1.17 | 10 |
| ME | NextGen College Investing Plan Select | MFS Age-Based | — | 0.99 | 1.74 | 42 |
| ME | NextGen College Investing Plan Select | BR Age-Based | — | 0.99 | 1.74 | 43 |
| RI | CollegeBoundfund | Age-Based Conservative | — | 1.00 | 1.75 | 33 |
| RI | CollegeBoundfund | Age-Based Moderate | — | 1.01 | 1.52 | 32 |
| VA | CollegeAmerica | College Fund | — | 1.03 | 1.78 | 38 |
| NV | Putnam 529 for America | Conservative | — | 1.04 | 1.75 | 40 |
| ME | NextGen College Investing Plan Select | FT Age-Based | — | 1.04 | 1.79 | 54 |
| ME | NextGen College Investing Plan Select | Allianz Age-Based | — | 1.04 | 1.79 | 55 |
| RI | CollegeBoundfund | Age-Based Aggressive | — | 1.04 | 1.54 | 43 |
| KS | LearningQuest 529 Program (Advisor) | Conservative | — | 1.05 | 1.80 | 73 |
| WI | Tomorrow's Scholar 529 Plan | Age-Based Options | 0.82 | 1.07 | 1.82 | 55 |
| AZ | Ivy Funds InvestEd 529 Plan | Age-Based | — | 1.07 | — | 54 |
| NM | Scholar'sEdge | Age-Based | — | 1.08 | 1.83 | 58 |
| NE | State Farm College Savings Plan | Age-Based | — | 1.08 | — | 56 |
| OH | BlackRock CollegeAdvantage 529 Plan | Conservative | — | 1.09 | 1.84 | 62 |
| NV | Putnam 529 for America | Moderate | — | 1.09 | 1.84 | 57 |
| KS | LearningQuest 529 Program (Advisor) | Moderate | — | 1.11 | 1.86 | 81 |
| NV | Putnam 529 for America | Aggressive | — | 1.11 | 1.86 | 66 |
| NH | Fidelity Advisor 529 Plan | Age-Based | — | 1.12 | 1.79 | 61 |
| NJ | Franklin Templeton 529 College Savings Plan | Conservative | — | 1.13 | 1.88 | 72 |
| WV | The Hartford SMART529 | Age-Based | — | 1.15 | 1.89 | 73 |
| OH | BlackRock CollegeAdvantage 529 Plan | Moderate | — | 1.15 | 1.45 | 72 |
| OR | MFS 529 Savings Plan | Age-Based | — | 1.18 | 1.93 | 84 |
| CT | CHET Advisor College Savings Plan | Age-Based | — | 1.19 | 1.94 | 85 |
| OH | BlackRock CollegeAdvantage 529 Plan | Aggressive | — | 1.20 | 1.95 | 84 |
| KS | LearningQuest 529 Program (Advisor) | Aggressive | — | 1.24 | 1.99 | 89 |
| SD | CollegeAccess 529 | Age-Based | — | 1.26 | 2.01 | 89 |
| NJ | Franklin Templeton 529 College Savings Plan | Moderate | — | 1.28 | 2.03 | 93 |
| NJ | Franklin Templeton 529 College Savings Plan | Growth | — | 1.38 | 2.13 | 96 |
| AK | John Hancock Freedom 529 | Age-Based | — | 1.40 | 1.96 | 84 |

Exhibit 16 Average Total Expense Ratios by Age-Based Track, Advisor-Sold (Continued)

| State | Plan Name | Track Name | Average of Total Expense | | | Average Morningstar Fee Level—Distribution Percentile Rank |
|--|---|--------------------|--------------------------|----------|----------|--|
| | | | No-Load | A-Shares | C-Shares | |
| Advisor-Sold Blended Age-Based Tracks | | | | | | |
| NE | NEST Advisor College Savings Plan | Conservative | — | 0.72 | 1.32 | 14 |
| NE | NEST Advisor College Savings Plan | Aggressive | — | 0.80 | 1.55 | 21 |
| NE | NEST Advisor College Savings Plan | Growth | — | 0.80 | 1.55 | 21 |
| SC | Future Scholar 529 (Advisor) | Conservative Track | — | 0.90 | 1.39 | 19 |
| SC | Future Scholar 529 (Advisor) | Moderate Track | — | 0.94 | 1.44 | 26 |
| AL | CollegeCounts 529 Fund Advisor Plan | Conservative | — | 0.95 | 1.15 | 25 |
| SC | Future Scholar 529 (Advisor) | Aggressive Track | — | 1.03 | 1.52 | 38 |
| IL | Bright Directions College Savings Program | Balanced | — | 1.03 | 1.28 | 24 |
| NY | New York's 529 Program (Advisor-Guided) | Age-Based | — | 1.05 | 1.80 | 69 |
| IL | Bright Directions College Savings Program | Growth | — | 1.07 | 1.32 | 32 |
| IL | Bright Directions College Savings Program | Aggressive | — | 1.11 | 1.36 | 43 |
| AL | CollegeCounts 529 Fund Advisor Plan | Moderate | — | 1.11 | 1.36 | 40 |
| DC | DC College Savings Program | Age-Based | — | 1.13 | — | — |
| AL | CollegeCounts 529 Fund Advisor Plan | Aggressive | — | 1.18 | 1.43 | 52 |
| TX | Lonestar 529 Plan | Advisor Age Based | — | 1.22 | 1.97 | 87 |
| OK | OklahomaDream529 | Age-Based | — | 1.26 | 2.01 | 92 |
| MI | MI 529 Advisor | Age-Based | — | 1.36 | 1.76 | 71 |
| IA | IAAdvisor 529 Plan | Age-Based | — | 1.39 | 2.14 | 97 |
| Advisor-Sold Passively Managed Age-Based Tracks | | | | | | |
| NE | NEST Advisor College Savings Plan | Index | — | 0.67 | 1.42 | 15 |
| ME | NextGen College Investing Plan Select | iShares Age-Based | — | 0.70 | 1.45 | 16 |
| IN | CollegeChoice Advisor 529 Savings Plan | Enrollment Based | — | 0.84 | 1.59 | 22 |
| AR | iShares 529 Plan | Enrollment Based | 0.59 | — | — | 15 |

Source: Morningstar, Inc. as of 12/31/2013

Another way investors can evaluate the costs of a 529 plan is by looking at the dollar-based fees charged for maintenance expenses. These fees generally cover the program manager's administrative costs associated with mailing paper statements or offsetting 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. The average levy charged by plans with a maintenance fee is \$20, although it can range as high as \$50 per year, as in the case of Maine's NextGen College Investing Plan Select. These costs eat away at returns: A \$10,000 account with a \$20 annual fee equals 20 basis points in costs added to its expense ratio. Account owners with low balances are particularly punished by these recurring charges.

Exhibit 17 Plan Annual Maintenance Fees

| State | Plan Name | Sales Channel | Maximum Annual Maintenance Fee USD |
|-------|---------------------------------------|--------------------|------------------------------------|
| ME | NextGen College Investing Plan Select | Advisor | 50.00 |
| DC | DC College Savings Program | Direct and Advisor | 30.00 |
| NV | USAA College Savings Plan | Direct | 30.00 |
| OH | BlackRock CollegeAdvantage 529 Plan | Advisor | 25.00 |
| RI | CollegeBoundfund | Direct and Advisor | 25.00 |

Exhibit 17 Plan Annual Maintenance Fees (Continued)

| State | Plan Name | Sales Channel | Maximum Annual Maintenance Fee USD |
|-------|---|--------------------|------------------------------------|
| SC | Future Scholar 529 (Advisor) | Advisor | 25.00 |
| AK | John Hancock Freedom 529 | Advisor | 25.00 |
| MT | MFESP Investment Plan | Direct | 25.00 |
| OR | MFS 529 Savings Plan | Advisor | 25.00 |
| MO | MOST 529 Advisor Plan | Advisor | 25.00 |
| NY | New York's 529 Program (Advisor-Guided) | Advisor | 25.00 |
| NM | Scholar'sEdge | Advisor | 25.00 |
| WV | SMART529 Select College Savings Plan | Direct | 25.00 |
| NM | The Education Plan | Direct | 25.00 |
| WV | The Hartford SMART529 | Advisor | 25.00 |
| WI | Tomorrow's Scholar 529 Plan | Advisor | 25.00 |
| ND | College SAVE | Direct | 20.00 |
| SD | CollegeAccess 529 | Direct and Advisor | 20.00 |
| IN | CollegeChoice 529 Direct Savings Plan | Direct | 20.00 |
| IN | CollegeChoice Advisor 529 Savings Plan | Advisor | 20.00 |
| CO | CollegInvest Direct Portfolio | Direct | 20.00 |
| NH | Fidelity Advisor 529 Plan | Advisor | 20.00 |
| AR | GIFT College Investing Plan | Direct | 20.00 |
| HI | HI529 - Hawaii's College Savings Program | Direct | 20.00 |
| ID | IDeal - Idaho College Savings Program | Direct | 20.00 |
| AZ | Ivy Funds InvestEd 529 Plan | Advisor | 20.00 |
| OK | OklahomaDream529 | Advisor | 20.00 |
| CO | Scholars Choice College Savings Program | Advisor | 20.00 |
| NV | SSgA Upromise 529 Plan | Direct | 20.00 |
| NV | The Vanguard 529 College Savings Plan | Direct | 20.00 |
| NC | National College Savings Program | Direct | 18.00 |
| PA | Pennsylvania 529 Investment Plan | Direct | 18.00 |
| NV | Putnam 529 for America | Advisor | 15.00 |
| UT | Utah Educational Savings Plan | Direct | 15.00 |
| IL | Bright Directions College Savings Program | Advisor | 12.00 |
| AL | CollegeCounts 529 Fund | Direct | 12.00 |
| AL | CollegeCounts 529 Fund Advisor Plan | Advisor | 12.00 |
| IL | Bright Start College Savings (Direct) | Direct | 10.00 |
| VA | CollegeAmerica | Advisor | 10.00 |
| AR | iShares 529 Plan | Advisor | 10.00 |
| MD | Maryland College Investment Plan | Direct | 10.00 |
| MO | MOST Missouri's 529 Plan | Direct | 10.00 |
| AK | T. Rowe Price College Savings Plan | Direct | 10.00 |
| AK | University of Alaska College Savings Plan | Direct | 10.00 |
| IL | Bright Start College Savings (Advisor) | Advisor | 0.00 |
| CT | CHET Advisor College Savings Plan | Advisor | 0.00 |
| IA | College Savings Iowa 529 Plan | Direct | 0.00 |
| OH | CollegeAdvantage 529 Savings Plan | Direct | 0.00 |
| RI | CollegeBoundfund Direct | Direct | 0.00 |
| CT | Connecticut Higher Education Trust | Direct | 0.00 |
| DE | Delaware College Investment Plan | Direct | 0.00 |
| WI | Edvest 529 Plan | Direct | 0.00 |
| AZ | Fidelity Arizona College Savings Plan | Direct | 0.00 |
| FL | Florida 529 Savings Plan | Direct | 0.00 |
| NJ | Franklin Templeton 529 College Savings Plan | Advisor | 0.00 |

Exhibit 17 Plan Annual Maintenance Fees (Continued)

| State | Plan Name | Sales Channel | Maximum Annual Maintenance Fee USD |
|----------------|--|---------------|------------------------------------|
| SC | Future Scholar 529 (Direct) | Direct | 0.00 |
| IA | IAdvisor 529 Plan | Advisor | 0.00 |
| KY | Kentucky Education Savings Plan Trust | Direct | 0.00 |
| KS | LearningQuest 529 Program (Advisor) | Advisor | 0.00 |
| KS | LearningQuest 529 Program (Direct) | Direct | 0.00 |
| TX | Lonestar 529 Plan | Advisor | 0.00 |
| MI | MI 529 Advisor | Advisor | 0.00 |
| MI | Michigan Education Savings Program | Direct | 0.00 |
| MN | Minnesota College Savings Plan | Direct | 0.00 |
| MS | Mississippi Affordable (Direct) | Direct | 0.00 |
| NE | NEST Advisor College Savings Plan | Advisor | 0.00 |
| NE | NEST Direct College Savings Plan | Direct | 0.00 |
| NY | New York's 529 Program (Direct) | Direct | 0.00 |
| ME | NextGen College Investing Plan Direct | Direct | 0.00 |
| NJ | NJBEST 529 College Savings Plan | Direct | 0.00 |
| OK | Oklahoma College Savings Plan | Direct | 0.00 |
| OR | Oregon College Savings Plan | Direct | 0.00 |
| GA | Path2College 529 Plan | Direct | 0.00 |
| CA | ScholarShare College Savings Plan | Direct | 0.00 |
| KS | Schwab 529 College Savings Plan | Direct | 0.00 |
| WV | SMART529 WV Direct College Savings Plan | Direct | 0.00 |
| NE | State Farm College Savings Plan | Advisor | 0.00 |
| NE | TD Ameritrade 529 College Savings Plan | Direct | 0.00 |
| TX | Texas College Savings Plan | Direct | 0.00 |
| LA | The Louisiana START Saving For College | Direct | 0.00 |
| TN | TNStars College Saving 529 Program | Direct | 0.00 |
| MA | U.Fund College Investing Plan | Direct | 0.00 |
| NH | UNIQUE College Investing Plan | Direct | 0.00 |
| VT | Vermont Higher Education Investment Plan | Direct | 0.00 |
| VA | Virginia529 inVEST | Direct | 0.00 |
| Average | | | 9.75 |
| Minimum | | | 0.00 |
| Maximum | | | 50.00 |

Source: Morningstar, Inc. and plan websites as of 12/31/2013

Investors have plenty of choices to make when it comes to choosing a 529 plan, including whether to work with an advisor or go it alone. They also must decide whether they will be best served by a plan that offers actively or passively managed investments, or a blend of both. Regardless of those inputs, it's worthwhile for college savers to shop around and find the most competitively priced investment that fits their needs. Still, the benefits of certain in-state grants or tax breaks can make a home-state plan more attractive than a less expensive out-of-state plan. College savers are wise to evaluate the overall costs and benefits of their options accordingly.

People

College savings represent an important financial goal for families, and it stands to reason that college savers would prefer experienced fund managers at the helm of their 529 investments. Long-tenured managers often have earned their keep with strong long-term returns. Indeed, the 2014 Morningstar U.S. Mutual Fund Industry Stewardship Survey found that firms with longer-tenured managers have produced better returns for investors, particularly over the long term on a risk-adjusted basis.

Morningstar has calculated the average manager tenure across the underlying mutual funds represented in each 529 plan, and more than a dozen plans have average manager tenures longer than 10 years. Four of the 14 plans with average manager tenure exceeding 10 years primarily feature funds run by Vanguard, including the two plans with the longest average manager tenure, MFESP Investment Plan of Montana and North Carolina's National College Savings Program. Vanguard funds are also represented in New York's 529 Program (Direct) and The Vanguard 529 College Savings Plan, both of which tap Upromise as program manager.

Exhibit 18 Plan Average Manager Tenure

| State | Plan Name | Program Manager | Average Manager Tenure for Underlying Funds (Years) | |
|-------|---|--|---|-------|
| | | | 2013 | 2012 |
| MT | MFESP Investment Plan | College Savings Bank | 16.75 | 15.67 |
| NC | National College Savings Program | College Foundation, Inc. | 15.67 | 6.83 |
| NJ | NJBEST 529 College Savings Plan | Franklin Templeton Distributors Inc | 13.05 | 12.28 |
| VA | Virginia529 inVEST | Virginia College Savings Plan | 12.95 | 11.86 |
| NJ | Franklin Templeton 529 College Savings Plan | Franklin Templeton Distributors Inc | 12.37 | 12.63 |
| AL | CollegeCounts 529 Fund | Union Bank & Trust Company (Lincoln, NE) | 12.06 | 12.67 |
| NY | New York's 529 Program (Direct) | Upromise Investments, Inc. | 11.90 | 11.30 |
| OH | CollegeAdvantage 529 Savings Plan | Ohio Tuition Trust Authority | 11.21 | 9.88 |
| NE | NEST Direct College Savings Plan | First National Bank Of Omaha | 11.20 | 10.57 |
| NE | TD Ameritrade 529 College Savings Plan | First National Bank Of Omaha | 11.13 | 11.28 |
| NE | NEST Advisor College Savings Plan | First National Bank Of Omaha | 10.75 | 10.86 |
| IL | Bright Directions College Savings Program | Union Bank & Trust Company (Lincoln, NE) | 10.58 | 9.76 |
| KS | Schwab 529 College Savings Plan | American Century Inv Mgt, Inc. | 10.52 | 10.26 |
| NV | The Vanguard 529 College Savings Plan | Upromise Investments, Inc. | 10.13 | 9.36 |
| MD | Maryland College Investment Plan | T. Rowe Price Associates, Inc. | 9.83 | 9.26 |
| AZ | Ivy Funds InvestEd 529 Plan | Waddell & Reed Inc | 9.67 | 8.79 |
| VA | CollegeAmerica | American Funds | 9.66 | 9.50 |
| HI | HI529 - Hawaii's College Savings Program | Upromise Investments, Inc. | 9.19 | 7.00 |
| AL | CollegeCounts 529 Fund Advisor Plan | Union Bank & Trust Company (Lincoln, NE) | 9.18 | 8.55 |
| AK | University of Alaska College Savings Plan | T. Rowe Price Associates, Inc. | 9.03 | 7.96 |
| AK | T. Rowe Price College Savings Plan | T. Rowe Price Associates, Inc. | 9.03 | 7.96 |
| WV | SMART529 WV Direct College Savings Plan | Hartford Life Insurance Company | 9.00 | 7.97 |
| IL | Bright Start College Savings (Direct) | OFI Private Investments Inc | 8.98 | 7.90 |
| MS | Mississippi Affordable (Direct) | TIAA Tuition Financing, Inc. | 8.90 | 7.81 |
| AK | John Hancock Freedom 529 | T. Rowe Price Associates, Inc. | 8.81 | 8.11 |

Exhibit 18 Plan Average Manager Tenure (Continued)

| State | Plan Name | Program Manager | Average Manager Tenure for Underlying Funds (Years) | |
|-------|--|---|---|------|
| | | | 2013 | 2012 |
| OR | MFS 529 Savings Plan | MFS | 8.67 | 7.17 |
| UT | Utah Educational Savings Plan | Utah Educational Savings Plan | 8.62 | 9.09 |
| CO | Scholars Choice College Savings Program | Legg Mason Global Asset Allocation, LLC | 8.57 | 8.30 |
| OR | Oregon College Savings Plan | TIAA Tuition Financing, Inc. | 8.55 | 7.66 |
| AR | GIFT College Investing Plan | Upromise Investments, Inc. | 8.48 | 7.45 |
| ID | IDeal - Idaho College Savings Program | Upromise Investments, Inc. | 8.48 | 7.45 |
| KS | LearningQuest 529 Program (Direct) | American Century Inv Mgt, Inc. | 8.45 | 7.77 |
| KS | LearningQuest 529 Program (Advisor) | American Century Inv Mgt, Inc. | 8.29 | 6.71 |
| CA | ScholarShare College Savings Plan | TIAA Tuition Financing, Inc. | 8.16 | 6.98 |
| IN | CollegeChoice 529 Direct Savings Plan | Upromise Investments, Inc. | 7.89 | 7.33 |
| IA | College Savings Iowa 529 Plan | Vanguard Group, Inc. | 7.88 | 6.83 |
| CO | CollegInvest Direct Portfolio | Upromise Investments, Inc. | 7.88 | 6.83 |
| NY | New York's 529 Program (Advisor-Guided) | Upromise Investments, Inc. | 7.86 | 7.24 |
| NM | The Education Plan | OFI Private Investments Inc | 7.78 | 6.79 |
| DE | Delaware College Investment Plan | Fidelity Investments | 7.78 | 7.45 |
| MA | U.Fund College Investing Plan | Fidelity Investments | 7.78 | 7.45 |
| NH | UNIQUE College Investing Plan | Fidelity Investments | 7.78 | 7.45 |
| AZ | Fidelity Arizona College Savings Plan | Fidelity Investments | 7.78 | 7.45 |
| RI | CollegeBoundfund | AllianceBernstein LP | 7.64 | 6.74 |
| RI | CollegeBoundfund Direct | AllianceBernstein LP | 7.64 | NA |
| SD | CollegeAccess 529 | Allianz Global Investors Dist., LLC | 7.59 | 7.71 |
| KY | Kentucky Education Savings Plan Trust | TIAA Tuition Financing, Inc. | 7.43 | 6.73 |
| MO | MOST 529 Advisor Plan | Upromise Investments, Inc. | 7.43 | 6.78 |
| CT | Connecticut Higher Education Trust | TIAA Tuition Financing, Inc. | 7.39 | 6.19 |
| ME | NextGen College Investing Plan Select | Merrill Lynch Pierce Fenner & Smith | 7.38 | 6.40 |
| VT | Vermont Higher Education Investment Plan | TIAA Tuition Financing, Inc. | 7.37 | 6.27 |
| OK | Oklahoma College Savings Plan | TIAA Tuition Financing, Inc. | 7.35 | 6.73 |
| NM | Scholar's Edge | OFI Private Investments Inc | 7.32 | 6.02 |
| GA | Path2College 529 Plan | TIAA Tuition Financing, Inc. | 7.16 | 6.05 |
| MI | MI 529 Advisor | TIAA Tuition Financing, Inc. | 6.96 | 6.27 |
| OK | OklahomaDream529 | TIAA Tuition Financing, Inc. | 6.93 | 6.30 |
| IL | Bright Start College Savings (Advisor) | OFI Private Investments Inc | 6.89 | 5.33 |
| TX | Texas College Savings Plan | OFI Private Investments Inc | 6.41 | 5.35 |
| MN | Minnesota College Savings Plan | TIAA Tuition Financing, Inc. | 6.41 | 5.89 |
| NV | Putnam 529 for America | Putnam Investment Management, LLC | 6.41 | 5.75 |
| WI | EdVest 529 Plan | TIAA Tuition Financing, Inc. | 6.40 | NA |
| PA | Pennsylvania 529 Investment Plan | Pennsylvania Treasury Department | 6.39 | 5.35 |
| ME | NextGen College Investing Plan Direct | Merrill Lynch Pierce Fenner & Smith | 6.38 | 3.42 |
| MI | Michigan Education Savings Program | TIAA Tuition Financing, Inc. | 6.22 | 5.13 |
| ND | College SAVE | Upromise Investments, Inc. | 6.16 | 6.17 |
| MO | MOST Missouri's 529 Plan | Upromise Investments, Inc. | 6.05 | 6.29 |
| WV | SMART529 Select College Savings Plan | Hartford Life Insurance Company | 6.05 | 6.73 |
| IN | CollegeChoice Advisor 529 Savings Plan | Upromise Investments, Inc. | 5.95 | 5.68 |
| SC | Future Scholar 529 (Advisor) | Columbia Management Inv Distri, Inc. | 5.86 | 5.05 |
| NV | SSgA Upromise 529 Plan | Upromise Investments, Inc. | 5.75 | NA |
| NH | Fidelity Advisor 529 Plan | Fidelity Investments | 5.66 | 5.50 |
| OH | BlackRock CollegeAdvantage 529 Plan | BlackRock Advisors LLC | 5.60 | 5.28 |
| CT | CHET Advisor College Savings Plan | Hartford Life Insurance Company | 5.48 | 4.80 |
| NV | USAA College Savings Plan | Upromise Investments, Inc. | 5.45 | 4.93 |
| WV | The Hartford SMART529 | Hartford Life Insurance Company | 5.40 | 4.33 |

Exhibit 18 Plan Average Manager Tenure (Continued)

| State | Plan Name | Program Manager | Average Manager Tenure for Underlying Funds (Years) | |
|-------|---------------------------------|--|---|------|
| | | | 2013 | 2012 |
| TX | LoneStar 529 Plan | OFI Private Investments Inc | 5.37 | 4.58 |
| SC | Future Scholar 529 (Direct) | Columbia Management Inv Distri, Inc. | 5.26 | 4.65 |
| WI | Tomorrow's Scholar 529 Plan | TIAA Tuition Financing, Inc. | 5.22 | NA |
| NE | State Farm College Savings Plan | First National Bank Of Omaha | 4.83 | 4.25 |
| DC | DC College Savings Program | Calvert Investment Management, Inc. | 4.52 | 3.90 |
| IA | IAdvisor 529 Plan | ING Investment Management Co. LLC (US) | 4.13 | NA |
| AR | iShares 529 Plan | Upromise Investments, Inc. | 3.34 | 3.77 |

Source: Morningstar, Inc. as of 12/31/2013

Another firm well-known for its fund managers' long tenures is represented prominently on the 529 plans' average-manager tenure list: Franklin Templeton. As of Dec. 31, 2013, the firm's equal-weighted average manager tenure was 14.3 years, and its asset-weighted average—where larger funds are counted more-prominently in the calculation—is 23.7 years. Those averages are among the highest for the U.S.' largest fund companies.

Hiring long-tenured managers also appears to be a priority at several 529 plans that mix managers from a number of firms (a plan design known in the 529 industry as "open architecture"). Virginia529 inVest, for example, features long-tenured managers in its age-based options from Vanguard, Franklin Templeton, and the American Funds. Meanwhile, Alabama's CollegeCounts 529 Fund and CollegeAdvantage 529 Savings Plan of Ohio both feature a version of PIMCO Total Return, an open-end mutual fund run by Bill Gross since 1987.

Among the plans with lower manager tenure, it's important to look beneath the surface to see what's behind managers' shorter stints. In some cases, the tenure isn't very relevant to the investment decision, particularly at plans with indexed options, such as South Carolina's Future Scholar 529 (Direct) and Arkansas' iShares 529 Plan. But it's more relevant when options are actively managed and the plan's underlying funds have newer skippers. This is the case at DC College Savings Program, which features funds from Calvert Investment Management.

Parent

The organizations overseeing 529 college-savings plans, known in Morningstar lingo as the investments' "Parent," play a critical role in their success. For example, representatives from the offering state often hire a separate program manager to run the 529 plans. Typically, the program manager is the asset-management company whose mutual funds ultimately serve as the program's investment options. But as the table below illustrates, the largest program manager for direct-sold 529 plans is Upromise, which doesn't manage assets on its own but rather partners with a money manager that in turn provides the investment options.

Exhibit 19 Assets by Program Manager, Direct-Sold

| Program Manager | Total Direct-Sold Assets USD | Direct-Sold Market Share % | |
|--|------------------------------|----------------------------|-------|
| | | 2013 | 2012 |
| Upromise Investments, Inc. | 33,239,641,956 | 32.69 | 31.61 |
| TIAA Tuition Financing, Inc. | 18,051,750,517 | 17.75 | 17.75 |
| Fidelity Investments | 12,442,326,132 | 12.24 | 14.48 |
| Utah Educational Savings Plan | 6,733,533,313 | 6.62 | 6.11 |
| T. Rowe Price Associates, Inc. | 5,774,819,348 | 5.68 | 5.44 |
| American Century Inv Mgt, Inc. | 3,993,373,504 | 3.93 | 3.89 |
| OFI Private Investments Inc | 3,762,129,497 | 3.70 | 3.53 |
| Vanguard Group, Inc. | 3,453,172,337 | 3.40 | 3.62 |
| Ohio Tuition Trust Authority | 3,266,027,923 | 3.21 | 3.37 |
| Virginia College Savings Plan | 2,555,614,502 | 2.51 | 2.49 |
| First National Bank Of Omaha | 2,221,274,550 | 2.18 | 2.19 |
| Pennsylvania Treasury Department | 1,505,089,123 | 1.48 | 1.42 |
| College Foundation, Inc. | 1,351,211,172 | 1.33 | 1.23 |
| Franklin Templeton Distributors Inc | 878,327,539 | 0.86 | 0.82 |
| Columbia Management Inv Distri, Inc. | 632,188,151 | 0.62 | 0.58 |
| Hartford Life Insurance Company | 555,341,949 | 0.55 | 0.51 |
| Florida Prepaid College Board | 347,489,695 | 0.34 | 0.33 |
| Calvert Investment Management, Inc. | 226,587,032 | 0.22 | NA |
| AllianceBernstein LP | 195,816,522 | 0.19 | 0.20 |
| Union Bank & Trust Company (Lincoln, NE) | 193,534,980 | 0.19 | 0.16 |
| Merrill Lynch Pierce Fenner & Smith | 145,596,687 | 0.14 | 0.11 |
| College Savings Bank | 117,285,885 | 0.12 | 0.12 |
| Allianz Global Investors Dist., LLC | 26,512,209 | 0.03 | 0.03 |
| State of Tennessee | 9,289,215 | 0.01 | 0.00 |

Source: Morningstar, Inc. as of 12/31/2013

At nearly one third of direct-sold plan assets, Upromise is one of the 529 industry's dominant players. Most often among direct-sold plans, the firm partners with Vanguard to run the plans' investment options, offering similar indexed offerings that vary in price depending on the assets under management at each plan. In 2013, Upromise's parent company changed from Sallie Mae, the student lender, to Ascensus, a retirement-plan record keeper.

Among advisor-sold plans, the American Funds, program manager of Virginia's CollegeAmerica, holds the most market share and, at \$44 billion, manages more 529 assets than all of the direct-sold Upromise plans combined.

Exhibit 20 Assets by Program Manager, Advisor-Sold

| Program Manager | Total Advisor-Sold Assets USD | Advisor-Sold Assets Market Share % | |
|--|-------------------------------|------------------------------------|-------|
| | | 2013 | 2012 |
| American Funds | 44,225,300,021 | 45.06 | 43.53 |
| AllianceBernstein LP | 7,517,867,057 | 7.66 | 8.58 |
| Merrill Lynch Pierce Fenner & Smith | 7,450,377,188 | 7.59 | 7.64 |
| Upromise Investments, Inc. | 4,875,702,012 | 4.97 | 4.89 |
| BlackRock Advisors LLC | 4,506,243,889 | 4.59 | 4.73 |
| Fidelity Investments | 4,109,187,326 | 4.19 | 4.37 |
| T. Rowe Price Associates, Inc. | 3,917,232,089 | 3.99 | 4.00 |
| OFI Private Investments Inc | 3,770,539,940 | 3.84 | 4.06 |
| Legg Mason Global Asset Allocation, LLC | 3,354,728,392 | 3.42 | 3.56 |
| Franklin Templeton Distributors Inc | 2,853,228,049 | 2.91 | 2.79 |
| Union Bank & Trust Company (Lincoln, NE) | 2,432,096,629 | 2.48 | 2.34 |
| TIAA Tuition Financing, Inc. | 1,863,774,935 | 1.90 | 1.97 |
| Hartford Life Insurance Company | 1,763,324,445 | 1.80 | 1.77 |
| Columbia Management Inv Distri, Inc. | 1,323,425,677 | 1.35 | 1.33 |
| First National Bank Of Omaha | 1,160,955,771 | 1.18 | 1.19 |
| Allianz Global Investors Dist., LLC | 1,138,722,528 | 1.16 | 1.26 |
| MFS | 1,024,429,266 | 1.04 | 1.03 |
| Putnam Investment Management, LLC | 336,403,463 | 0.34 | 0.34 |
| American Century Inv Mgt, Inc. | 239,382,133 | 0.24 | 0.25 |
| ING Investment Management Co. LLC (US) | 184,998,820 | 0.19 | NA |
| Calvert Investment Management, Inc. | 89,315,877 | 0.09 | NA |

Source: Morningstar, Inc. as of 12/31/2013

There is a significant drop-off in assets after American Funds, with two established advisor-sold 529 providers, AllianceBernstein and Merrill Lynch, coming in second and third, respectfully, for market share. They each manage more than \$7 billion of assets and more than 7% market share. A relative newcomer, ING—which rebranded its funds in May 2014 to Voya—has garnered \$185 million of assets since it became program manager of Iowa's IAdvisor 529 Plan in 2013.

Morningstar Firm-Level Data

Assets under management is one way to assess a 529 plan's parent, but perhaps more telling are data that measure money managers' care of capital. Morningstar tracks several firm-level attributes that measure the mutual funds' manager tenure, turnover, and personal investments in the funds. Morningstar also puts the funds' fees into competitive context to assess whether the firm's funds are a good value proposition overall. The 2014 Morningstar U.S. Mutual Fund Industry Stewardship Survey found that firms with managers that have long tenures, low turnover, and high personal investments in fund shares have produced better returns for investors, particularly over the long term on a risk-adjusted basis. The same is true among firms offering funds with lower expense ratios overall.

Morningstar can apply this firm-level data to the 529 industry by determining which fund firm is responsible for managing the largest portion of each program manager's assets, and then referencing that firm's stewardship data.

Exhibit 21 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 |
| AllianceBernstein LP | AllianceBernstein | 63.18 | Negative | 11.1 | 84.86 | 12 | 42 | 32 |
| Allianz Global Investors Dist., LLC | PIMCO | 51.79 | Positive | 15.5 | 91.90 | 48 | 48 | 60 |
| American Century Inv Mgt, Inc. | American Century Investments | 57.24 | Neutral | 10.5 | 92.12 | 0 | 53 | 25 |
| American Funds | American Funds | 100.00 | Positive | 21.6 | 95.62 | 97 | 18 | 64 |
| BlackRock Advisors LLC | BlackRock | 83.82 | Neutral | 12.3 | 86.15 | 65 | 47 | 28 |
| Calvert Investment Management, Inc. | Calvert Investments | 79.60 | Negative | 5.3 | 86.63 | 0 | 69 | 26 |
| College Foundation, Inc. | Vanguard | 100.00 | Positive | 11.7 | 91.45 | 16 | 4 | 65 |
| College Savings Bank | Vanguard | 100.00 | Positive | 11.7 | 91.45 | 16 | 4 | 65 |
| Columbia Management Inv Distri, Inc. | Columbia | 80.40 | Neutral | 9.1 | 84.02 | 35 | 50 | 18 |
| Fidelity Investments | Fidelity Investments | 99.14 | Positive | 8.5 | 91.13 | 51 | 33 | 49 |
| First National Bank Of Omaha | Vanguard | 40.67 | Positive | 11.7 | 91.45 | 16 | 4 | 65 |
| Franklin Templeton Distributors Inc | Franklin Templeton Investments | 95.25 | Positive | 23.7 | 95.62 | 62 | 33 | 42 |
| Hartford Life Insurance Company | Hartford Mutual Funds | 64.95 | Neutral | 9.9 | 91.31 | 35 | 47 | 47 |
| ING Investment Management Co. LLC (US) | ING Funds | 72.45 | Neutral | 12.9 | 84.21 | 0 | 51 | 21 |
| Legg Mason Global Asset Allocation, LLC | Legg Mason | 88.01 | Neutral | 12.6 | 94.22 | 44 | 50 | 44 |
| Merrill Lynch Pierce Fenner & Smith | BlackRock | 52.63 | Neutral | 12.3 | 86.15 | 65 | 47 | 28 |
| MFS | MFS | 100.00 | Positive | 10.9 | 94.04 | 41 | 47 | 58 |
| OFI Private Investments Inc | OppenheimerFunds | 35.50 | Neutral | 9.4 | 87.64 | 64 | 40 | 46 |
| Ohio Tuition Trust Authority | Vanguard | 92.55 | Positive | 11.7 | 91.45 | 16 | 4 | 65 |
| Pennsylvania Treasury Department | Vanguard | 100.00 | Positive | 11.7 | 91.45 | 16 | 4 | 65 |
| Putnam Investment Management, LLC | Putnam | 73.35 | Neutral | 7.3 | 89.36 | 26 | 48 | 45 |
| T. Rowe Price Associates, Inc. | T. Rowe Price | 86.50 | Positive | 11.1 | 95.01 | 21 | 37 | 83 |
| TIAA Tuition Financing, Inc. | TIAA-CREF Mutual Funds | 76.34 | Neutral | 8.2 | 92.68 | 5 | 16 | 63 |
| Union Bank & Trust Company (Lincoln, NE) | Northern Funds | 22.90 | Neutral | 6.9 | 89.07 | 0 | 26 | 14 |
| Upromise Investments, Inc. | Vanguard | 77.91 | Positive | 11.7 | 91.45 | 16 | 4 | 65 |
| Utah Educational Savings Plan | Vanguard | 99.13 | Positive | 11.7 | 91.45 | 16 | 4 | 65 |
| Vanguard Group, Inc. | Vanguard | 100.00 | Positive | 11.7 | 91.45 | 16 | 4 | 65 |
| Virginia College Savings Plan | Vanguard | 66.15 | Positive | 11.7 | 91.45 | 16 | 4 | 65 |
| Waddell & Reed Inc | Waddell & Reed | 100.00 | Negative | 10.7 | 96.37 | 4 | 71 | 33 |

Source: Morningstar, Inc. as of 12/31/2013

For more than 170 firms that offer U.S. mutual funds, Morningstar issues Parent ratings of Positive, Negative, and Neutral based on the strength of the firm's stewardship practices. Morningstar analysts evaluate the firms in five areas: corporate culture, fund board quality, fund manager incentives, fees, and regulatory history. Firms that exceed the industry's stewardship standards earn Positive ratings; those that meet the industry standard are rated Neutral; and those that fall short of the industry standard are rated Negative.

The Parent rating is one of five factors that contributes to the Morningstar Analyst Rating, which is a forward-looking, qualitative rating that assesses funds based on how much conviction Morningstar's analysts have in that fund's ability to outperform on a risk-adjusted basis over the long term. As for 529 plans, the Morningstar Analyst Rating for individual mutual funds is expressed as Gold, Silver, Bronze, Neutral, or Negative.

The Parent rating in the table above refers to the rating assigned to each program manager's largest asset manager. Morningstar assigns separate Parent ratings to 529 plans as part of the Morningstar Analyst Rating for 529 College Savings Plans. A top asset manager's Parent rating may differ from the 529 plan's Parent rating because the 529 rating assesses every asset manager represented in the plan, as well as the quality of the plan's state oversight.

Among the 529 industry's 29 program managers, 15 have chosen a primary asset manager that's rated Positive, 11 primarily picked firms rated Neutral, and three have hired Negative-rated firms. It's not surprising to see a relatively strong field of asset managers represented at the top of the program managers' rosters because the industry has competitive hiring practices. Firms' investments are rarely represented in 529 plans unless they have demonstrated competitive, if not superior, stewardship practices. (It's worth noting that one Parent rated Positive in the table above—PIMCO—was downgraded in March 2014 to Neutral based on concerns about the firm's succession planning.)

Data Details

The data that help analysts arrive at the Parent rating are listed in the table above. Asset-weighted average manager tenure, for example, measures how long, on average, managers have been named on the firm's funds, placing more weight on the firm's largest funds in the calculation. The five-year manager retention rate measures the percentage of managers who remain named to funds over the course of a calendar year; Morningstar then averages those annual percentages over a five-year period.

To determine the percentage of firm fund assets with high manager ownership of fund shares, Morningstar looks to the data it collects from annual filings with the Securities and Exchange Commission that indicate whether fund managers invest in the funds they run, and to what degree. Managers disclose this data to the SEC in ranges, the smallest being \$0 and the

highest being more than \$1 million. Morningstar has found that manager investment in fund shares often is cultural, where some firms' managers make it common practice to invest in their funds while managers elsewhere may collectively show less conviction in those strategies. With that in mind, Morningstar looks at what percentage of a firm's assets are run by at least one manager who has met the highest industry standard for investment, more than \$1 million in fund shares.

Morningstar also analyzes firms' fund expense data to determine whether the funds are good value propositions. Morningstar starts by determining each fund's Morningstar Fee Level—Distribution, where it ranks funds with similar strategies and share-class types. As with all Morningstar percentile ranks, the lower the figure, the better, so funds with low Fee Level percentile ranks are inexpensive relative to similar funds with the same share-class type. To determine the firm's Fee Level percentile rank, Morningstar takes a simple average of each share class's percentile rank.

Finally, Morningstar looks at firms based on the percentage of the funds that have been successful. Morningstar defines success as fund share classes that have survived and outperformed. With the Morningstar Risk-Adjusted Success Ratio, the denominator in the calculation is the number of fund share classes that existed at the beginning of the period (in this case, five years ago). And the numerator is the number of fund share classes with a Morningstar Risk-Adjusted Return category rank that is less than 50 (indicating they've outperformed the median peer) over the five-year period through the previous month's end. Funds that don't survive cannot be counted, so the Success Ratio also measures whether a firm maintains its fund lineup over the longer term. Higher Success Ratios reflect firms that have a high percentage of funds that both outperform on a risk-adjusted basis and survive the period.

Vanguard: A Popular Parent

Among the program managers featuring Positive parents as their top asset manager, nine of the 15 are the same firm, Vanguard. The supporting data illustrate why Morningstar views Vanguard's stewardship practices positively. Vanguard is industry-leading with a firm-wide average Morningstar Fee Level—Distribution of just 4. It is aided in large part by its mutual ownership structure that prompts it to price its funds at cost. To be sure, that doesn't mean all of the 529 investment options run by Vanguard are the cheapest available. Vanguard's 529 investment options' expense ratios are tiered based on the plan's assets under management, so states with large asset bases, like New York, have average expense ratios that are more than 4 times lower than those at smaller states, such as Idaho.

On a Morningstar Risk-Adjusted Success Ratio basis, Vanguard is also strong, with nearly two thirds of its funds both surviving and outperforming over the five-year period. That reflects the strong performance of indexed funds over the period, but many of Vanguard's actively managed funds have exceeded peers as well.

Vanguard looks more like the industry norm when it comes to manager tenure and retention. The firm's asset-weighted average manager tenure is 11.7 years, which is close to the industry average for firms Morningstar follows closely. And Vanguard's five-year manager retention rate is greater than 90%, Morningstar's informal hurdle for indicating which firms have a stable set of managers. Vanguard looks worse when it comes to fund managers' investment in their own charges. At Vanguard, only 16% of the firm's assets have manager coinvestment that's greater than \$1 million.

Another Positive-rated top asset manager in the 529 industry is American Funds, which scores well across Morningstar's firm-level metrics. Among advisor-sold funds, American Funds is a leader on manager retention, coinvestment in fund shares, and cost. And despite a swath of outflows among the firm's mutual funds, its Morningstar Risk-Adjusted Success Ratio is similar to Vanguard's at 64%.

Among the Negative-rated Parents that are prominent in the 529 industry is AllianceBernstein, which has a longer-tenured pool of managers on an asset-weighted basis but has a lower five-year manager retention rate. The firm's funds are priced competitively but not especially low. More disappointing is the firm's five-year Morningstar Risk-Adjusted Success Ratio, which is a low 32%.

The State as a Parent

The asset managers creating investments for college savers within 529 plans are one important Parent organization, and so are the states that administer the plans. Morningstar qualitatively assesses the states' work on college savers' behalf as part of the Morningstar Analyst Rating for 529 College Savings Plans. The state also can be measured quantitatively based on the benefits they offer to 529 college savers. These benefits often come in the form of state income-tax deductions, and sometimes income tax credits. The value of these benefits often rely on multiple factors, including the college saver's tax rate and how much they save in their 529 accounts. With that in mind, Morningstar compared state tax benefits in late 2013 by creating a scenario of a single saver.

In the October 2013 study, Morningstar looked at benefits available to couples earning \$50,000 per year, filing taxes jointly, who saved \$1,200 per year in a 529 college savings plan. States that have the most generous benefits are two with income tax credits: Indiana and Vermont. From there, states with high income tax rates, including Oregon, the District of Columbia, and Iowa, all had annual benefits exceeding \$95 per year under Morningstar's scenario.

Exhibit 22 State Income Tax Benefits

| State | Plan Name | Tax Parity | State Income Tax Rate %, Couples Earning \$50,000 | State Tax Deduction Limit USD, Filing Jointly | Dollar Value of Tax Savings on \$1,200 Annual 529 Contribution USD |
|-------|---|------------|---|---|--|
| IN | CollegeChoice 529 Direct Savings Plan | — | 3.40 | Credit—20% | 240.00 |
| IN | CollegeChoice Advisor 529 Savings Plan | — | 3.40 | Credit—20% | 240.00 |
| VT | Vermont Higher Education Investment Plan | — | 3.55 | Credit—10% | 120.00 |
| OR | MFS 529 Savings Plan | — | 9.00 | 4,455 | 108.00 |
| OR | Oregon College Savings Plan | — | 9.00 | 4,455 | 108.00 |
| DC | DC College Savings Program | — | 8.50 | 8,000 | 102.00 |
| IA | College Savings Iowa 529 Plan | — | 7.92 | 6,090 | 95.04 |
| IA | IAdvisor 529 Plan | — | 7.92 | 6,090 | 95.04 |
| ID | IDeal - Idaho College Savings Program | — | 7.40 | 8,000 | 88.80 |
| NC | National College Savings Program | — | 7.00 | 5,000 | 84.00 |
| AR | GIFT College Investing Plan | — | 7.00 | 10,000 | 84.00 |
| AR | iShares 529 Plan | — | 7.00 | 10,000 | 84.00 |
| SC | Future Scholar 529 (Advisor) | — | 7.00 | 318,000 | 84.00 |
| SC | Future Scholar 529 (Direct) | — | 7.00 | 318,000 | 84.00 |
| MT | MFESP Investment Plan | Yes | 6.90 | 6,000 | 82.80 |
| WI | Edvest 529 Plan | — | 6.50 | 3,000 | 78.00 |
| WI | Tomorrow's Scholar 529 Plan | — | 6.50 | 3,000 | 78.00 |
| NY | New York's 529 Program (Advisor-Guided) | — | 6.45 | 10,000 | 77.40 |
| NY | New York's 529 Program (Direct) | — | 6.45 | 10,000 | 77.40 |
| GA | Path2College 529 Plan | — | 6.00 | 2,000 | 72.00 |
| MO | MOST 529 Advisor Plan | Yes | 6.00 | 16,000 | 72.00 |
| MO | MOST Missouri's 529 Plan | Yes | 6.00 | 16,000 | 72.00 |
| WV | SMART529 Select College Savings Plan | — | 6.00 | 265,620 | 72.00 |
| WV | SMART529 WV Direct College Savings Plan | — | 6.00 | 265,620 | 72.00 |
| WV | The Hartford SMART529 | — | 6.00 | 265,620 | 72.00 |
| VA | CollegeAmerica | — | 5.75 | 4,000 | 69.00 |
| VA | Virginia529 inVEST | — | 5.75 | 4,000 | 69.00 |
| OK | Oklahoma College Savings Plan | — | 5.25 | 20,000 | 63.00 |
| OK | OklahomaDream529 | — | 5.25 | 20,000 | 63.00 |
| NE | NEST Advisor College Savings Plan | — | 5.12 | 5,000 | 61.44 |
| NE | NEST Direct College Savings Plan | — | 5.12 | 5,000 | 61.44 |
| NE | State Farm College Savings Plan | — | 5.12 | 5,000 | 61.44 |
| NE | TD Ameritrade 529 College Savings Plan | — | 5.12 | 5,000 | 61.44 |
| AL | CollegeCounts 529 Fund | — | 5.00 | 10,000 | 60.00 |
| AL | CollegeCounts 529 Fund Advisor Plan | — | 5.00 | 10,000 | 60.00 |
| CT | CHET Advisor College Savings Plan | — | 5.00 | 10,000 | 60.00 |
| CT | Connecticut Higher Education Trust | — | 5.00 | 10,000 | 60.00 |
| IL | Bright Directions College Savings Program | — | 5.00 | 20,000 | 60.00 |
| IL | Bright Start College Savings (Advisor) | — | 5.00 | 20,000 | 60.00 |
| IL | Bright Start College Savings (Direct) | — | 5.00 | 20,000 | 60.00 |
| MS | Mississippi Affordable (Direct) | — | 5.00 | 20,000 | 60.00 |
| UT | Utah Educational Savings Plan | — | 5.00 | Credit—5% | 60.00 |
| KS | LearningQuest 529 Program (Advisor) | Yes | 4.90 | 6,000 | 58.80 |
| KS | LearningQuest 529 Program (Direct) | Yes | 4.90 | 6,000 | 58.80 |
| KS | Schwab 529 College Savings Plan | Yes | 4.90 | 6,000 | 58.80 |
| NM | Scholar's Edge | — | 4.90 | 294,000 | 58.80 |
| NM | The Education Plan | — | 4.90 | 294,000 | 58.80 |
| MD | Maryland College Investment Plan | — | 4.75 | 2,500 | 57.00 |
| CO | CollegInvest Direct Portfolio | — | 4.63 | 350,000 | 55.56 |
| CO | Scholars Choice College Savings Program | — | 4.63 | 350,000 | 55.56 |

Exhibit 22 State Income Tax Benefits (Continued)

| State | Plan Name | Tax Parity | State Income Tax Rate %, Couples Earning \$50,000 | State Tax Deduction Limit USD, Filing Jointly | Dollar Value of Tax Savings on \$1,200 Annual 529 Contribution USD |
|-------|---|------------|---|---|--|
| MI | MI 529 Advisor | — | 4.25 | 10,000 | 51.00 |
| MI | Michigan Education Savings Program | — | 4.25 | 10,000 | 51.00 |
| OH | BlackRock CollegeAdvantage 529 Plan | — | 4.11 | 2,000 | 49.31 |
| OH | CollegeAdvantage 529 Savings Plan | — | 4.11 | 2,000 | 49.31 |
| LA | The Louisiana START Saving For College | — | 4.00 | 4,800 | 48.00 |
| RI | CollegeBoundfund | — | 3.75 | 1,000 | 37.50 |
| RI | CollegeBoundfund Direct | — | 3.75 | 1,000 | 37.50 |
| PA | Pennsylvania 529 Investment Plan | Yes | 3.07 | 28,000 | 36.84 |
| AZ | Ivy Funds InvestEd 529 Plan | Yes | 2.88 | 4,000 | 34.56 |
| AZ | Fidelity Arizona College Savings Plan | Yes | 2.88 | 4,000 | 34.56 |
| ME | NextGen College Investing Plan Direct | Yes | 8.50 | 250 | 21.25 |
| ME | NextGen College Investing Plan Select | Yes | 8.50 | 250 | 21.25 |
| ND | College SAVE | — | 1.51 | 10,000 | 18.12 |
| HI | HI529 - Hawaii's College Savings Program | — | 7.60 | 0 | 0.00 |
| MN | Minnesota College Savings Plan | — | 7.05 | 0 | 0.00 |
| KY | Kentucky Education Savings Plan Trust | — | 5.80 | 0 | 0.00 |
| DE | Delaware College Investment Plan | — | 5.55 | 0 | 0.00 |
| MA | U.Fund College Investing Plan | — | 5.25 | 0 | 0.00 |
| CA | ScholarShare College Savings Plan | — | 4.00 | 0 | 0.00 |
| NJ | Franklin Templeton 529 College Savings Plan | — | 1.75 | 0 | 0.00 |
| NJ | NJBEST 529 College Savings Plan | — | 1.75 | 0 | 0.00 |
| AK | John Hancock Freedom 529 | — | N/A | N/A | 0.00 |
| AK | T. Rowe Price College Savings Plan | — | N/A | N/A | 0.00 |
| AK | University of Alaska College Savings Plan | — | N/A | N/A | 0.00 |
| FL | Florida 529 Savings Plan | — | N/A | N/A | 0.00 |
| NH | Fidelity Advisor 529 Plan | — | N/A | N/A | 0.00 |
| NH | UNIQUE College Investing Plan | — | N/A | N/A | 0.00 |
| NV | Putnam 529 for America | — | N/A | N/A | 0.00 |
| NV | SSgA Upromise 529 Plan | — | N/A | N/A | 0.00 |
| NV | The Vanguard 529 College Savings Plan | — | N/A | N/A | 0.00 |
| NV | USAA College Savings Plan | — | N/A | N/A | 0.00 |
| SD | CollegeAccess 529 | — | N/A | N/A | 0.00 |
| TN | TNStars College Saving 529 Program | — | N/A | N/A | 0.00 |
| TX | LoneStar 529 Plan | — | N/A | N/A | 0.00 |
| TX | Texas College Savings Plan | — | N/A | N/A | 0.00 |

Source: Morningstar, Inc. and state websites as of 10/31/2013

Securing generous benefits for 529 college savers is one way that states can demonstrate that they're acting as strong Parents. A few states, including Nebraska and Arizona, have made their 529 state benefits more generous in recent years. But with many state governments under substantial fiscal pressure, state 529 administrators may find it politically infeasible to improve tax benefits in the short term.

In addition to state tax benefits, some states offer other benefits, including matching grants and scholarship funds for 529 college savers. Tracking such benefits is difficult and often stems from a public-private partnership. What's more, not all college savers, or their beneficiaries, may be eligible for these types of non-tax benefits.

Perhaps more tangible for most states is to improve the college saver's experience by improving the existing 529 plan. States can advocate for college savers by swapping out underperforming investments, negotiating lower fees, or hiring a stronger program manager when the 529 plan's contract expires. It has become common for more than a dozen plans to announce such incremental improvements each year, making the 529 industry more competitive. As such, the states that don't push for improvements often find that by sitting still, they're falling behind.

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, Performance, Price, Parent, and People—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 23 Morningstar Analyst Rating Issued in 2013 for 529 College-Savings Plans

| State | Plans | Sales Channel |
|---------------------|--|---------------|
| Gold-Rated | | |
| MD | Maryland College Investment Plan | Direct |
| AK | T. Rowe Price College Savings Plan | Direct |
| NV | The Vanguard 529 College Savings Plan | Direct |
| UT | Utah Educational Savings Plan | Direct |
| Silver-Rated | | |
| OH | CollegeAdvantage 529 Savings Plan | Direct |
| VA | CollegeAmerica | Advisor |
| AR | iShares 529 Plan | Advisor |
| MI | Michigan Education Savings Program | Direct |
| CA | ScholarShare College Savings Plan | Direct |
| Bronze-Rated | | |
| IL | Bright Directions Coll Savings Program | Advisor |
| IL | Bright Start College Savings (Direct) | Direct |
| IA | College Savings Iowa 529 Plan | Direct |
| IN | CollegeChoice 529 Direct Savings Plan | Direct |
| IN | CollegeChoice Advisor 529 Savings Plan | Advisor |
| AL | CollegeCounts 529 Fund | Direct |
| CO | CollegeInvest Direct Portfolio | Direct |
| CT | Connecticut Higher Education Trust | Direct |
| DE | Delaware College Investment Plan | Direct |
| AZ | Fidelity Arizona College Savings Plan | Direct |
| SC | Future Scholar 529 (Advisor) | Advisor |
| SC | Future Scholar 529 (Direct) | Direct |

Exhibit 23 Morningstar Analyst Rating Issued in 2013 for 529 College-Savings Plans (Continued)

| State | Plans | Sales Channel |
|-----------------------|--|--------------------|
| OR | MFS 529 Savings Plan | Advisor |
| NC | National College Savings Program | Direct |
| NE | NEST Advisor College Savings Plan | Advisor |
| NE | NEST Direct College Savings Plan | Direct |
| NY | New York's 529 Program (Direct) | Direct |
| GA | Path2College 529 Plan | Direct |
| CO | Scholars Choice College Savings Program | Advisor |
| MA | U.Fund College Investing Plan | Direct |
| NH | UNIQUE College Investing Plan | Direct |
| NV | USAA College Savings Plan | Direct |
| VA | Virginia529 inVEST | Direct |
| Neutral-Rated | | |
| OH | BlackRock CollegeAdvantage 529 Plan | Advisor |
| IL | Bright Start Coll Savings (Advisor) | Advisor |
| ND | College SAVE | Direct |
| SD | CollegeAccess 529 | Advisor and Direct |
| AL | CollegeCounts 529 Fund Advisor Plan | Advisor |
| WI | Edvest 529 Plan | Direct |
| NH | Fidelity Advisor 529 Plan | Advisor |
| NJ | Franklin Templeton 529 Coll Savings Plan | Advisor |
| AR | GIFT College Investing Plan | Direct |
| ID | IDeal - Idaho College Savings Program | Direct |
| AZ | Ivy Funds InvestEd 529 Plan | Advisor |
| AK | John Hancock Freedom 529 | Advisor |
| KS | LearningQuest 529 Program (Direct) | Direct |
| MO | MOST Missouri's 529 Plan | Direct |
| NY | New York's 529 Program (Advisor-Guided) | Advisor |
| ME | NextGen College Investing Plan Direct | Direct |
| ME | NextGen College Investing Plan Select | Advisor |
| NJ | NJBEST 529 College Savings Plan | Direct |
| OK | Oklahoma College Savings Plan | Direct |
| OR | Oregon College Savings Plan | Direct |
| PA | Pennsylvania 529 Investment Plan | Direct |
| NV | Putnam 529 for America | Advisor |
| NM | Scholar'sEdge | Advisor |
| NV | SSgA Upromise 529 Plan | Direct |
| NE | TD Ameritrade 529 College Savings Plan | Direct |
| WV | The Hartford SMART529 | Advisor |
| WI | Tomorrow's Scholar 529 Plan | Advisor |
| VT | Vermont Higher Education Investment Plan | Direct |
| Negative-Rated | | |
| RI | CollegeBoundfund* | Advisor |
| RI | CollegeBoundfund Direct* | Direct |
| MN | Minnesota College Savings Plan | Direct |
| KS | Schwab 529 College Savings Plan | Direct |

Source: Morningstar, Inc. as of 12/31/2013

* As of March 21, 2014, CollegeBoundfund and CollegeBoundfund Direct of Rhode Island are Not Ratable. These plans have one or more investment options that track a Morningstar 529 Index. Morningstar does not provide qualitative, analyst-driven ratings or opinions for 529 college-savings plans where an underlying investment tracks a Morningstar 529 Index.