



April 2, 2012

Ronald W. Smith, Corporate Secretary  
Municipal Securities Rulemaking Board  
1900 Duke Street, Suite 600  
Alexandria, VA22314

Re: Comments Concerning MSRB Notice 2012-10  
MSRB REQUESTS COMMENT ON A CONCEPT PROPOSAL FOR  
ELECTRONIC DISSEMINATION OF 529 COLLEGE SAVINGS PLAN  
DISCLOSURE DOCUMENTS

Dear Mr. Smith:

The College Savings Plans Network (CSPN), on behalf of its members, is pleased to have this opportunity to comment on MSRB Notice 2012-10, *Request for Comment on a Concept Proposal for Electronic Dissemination of 529 College Savings Plans* issued March 1, 2012 (the “Notice”). CSPN appreciates the Municipal Securities Rulemaking Board’s (the “MSRB”) continuing guidance to assist investors seeking to purchase 529 College Savings Plans (“529 Plans” or “Plans”) and its interest in streamlining delivery options for 529 Plan disclosure documents (“Plan Disclosure Documents”). CSPN is very committed to assuring that investors have appropriate, easy access to Plan Disclosure Documents electronically and, if requested, in printed form; and would like to offer the following comments on the Notice.

## **Background**

In CSPN’s comment letter dated August 31, 2011<sup>1</sup> on the MSRB’s Notice 2011-33, *Request for Comment on Plan to Collect Information on 529 College Savings Plans* (“Notice 2011-33 Letter”), the MSRB asked whether it should consider a rule change to permit the dissemination of Plan Disclosure Documents electronically. In that letter, CSPN expressed its strong support of an MSRB rule change to permit the dissemination of Plan Disclosure Documents electronically, so that Plans and/or dealers could advise customers that these

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<sup>1</sup> CSPN also expressed its support for electronic dissemination of Plan Disclosure Documents in its comment letter on MSRB Notice 2006-19.

documents are available for free and that a printed version would be provided to the customer upon request.

CSPN continues to strongly support an MSRB rule change to permit the dissemination of Plan Disclosure Documents electronically and offers the following observations in response to the questions posed in the Notice.

As addressed in the Notice 2011-33 Letter, because CSPN's website currently provides centralized access to the full text of the offering materials made available by 529 Plans on their respective websites, CSPN believes that its website should satisfy any access equals delivery standard developed for 529 Plans.<sup>2</sup> Utilizing the CSPN website as the centralized access point for electronic disclosure would assist in limiting investor confusion. This would also support the MSRB's interest in assuring that current and prospective investors can readily obtain 529 Plan disclosures from a centralized website so as to facilitate the comparison of 529 Plans.

### **Rules G-17 and G-32 Disclosure and Delivery Requirements**

CSPN believes that the disclosure and delivery requirements of Rules G-17 and G-32 adequately foster investor understanding of the material features and characteristics of 529 Plans. CSPN has consistently recognized the need for clear, concise and complete disclosure to investors and potential investors. In 2004, CSPN adopted its Disclosure Principles Statement No. 1 designed to enhance and standardize disclosures among 529 Plans. CSPN conducts a continuous review of the Disclosure Principles, monitoring effectiveness and suitability for 529 Plan investors. To that end, the latest Disclosure Principles Statement No. 5 was adopted by CSPN in 2011. Rules G-17 and G-32, along with the CSPN Disclosure Principles have resulted in clear, concise disclosure of material information for 529 Plan investors so that they can make informed investment decisions.

### **Investor Behavior**

Over the last several years, 529 Plans have seen an increased use of online account access by investors. In compiling its comments to the Notice, CSPN conducted a survey of 529 Plans ("CSPN Survey"). According to data collected<sup>3</sup>, for some 529 Plans, more than 80% of direct-sold 529 Plan accounts are opened online. In addition, for some plans, more than half of investors receive delivery of their account statements online. These numbers reflect a continued

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<sup>2</sup> CSPN's website also provides a centralized access point for the offering materials of self-managed Plans that are not required to submit such documents to the MSRB.

<sup>3</sup> Data was collected from 31 529 Savings Plans. These Plans held more than \$68.61 billion in assets as of December 31, 2011, accounting for nearly 42% of total assets under management nationally. CSPN is happy to discuss with the MSRB additional details of the data collected. If substantial additional data is received in the near future, CSPN will provide to the MSRB a supplement to this letter.

migration to the ease of electronic review and storage of Plan Disclosure Documents and account statements by 529 Plan investors.

In addition, a growing number of investors conduct 529 Plan research and education online. 529 Plans generally have active electronically delivered investor education opportunities, including webinars and social media news and updates. General statistics show that investors increasingly prefer to conduct research online and prefer the ease of joining a webinar at a time of their choosing from the convenience of their computer to traveling to live presentations at limited specified times. Anecdotally, 529 Plans report that investors prefer the option of accessing a document online rather than receiving a hard copy, citing the ease of search options within those documents. In fact, many investors report that they discard paper copies of Plan Disclosure Documents received in the mail in favor of the ease of electronic storage. Conversely, CSPN is of the view that if investors opt in to receiving paper copies of Plan Disclosure Documents, those paper copies will more likely be read because the individual investor specifically requested delivery in paper form.

A recent presentation on Baby Boomers and Technology<sup>4</sup> shows that 93% of the 18-34 year old population, 89% of the 35-46 year old population, 80% of the 47-56 year old population, 75% of the 57-65 year old population and 58% of the 66-74 year old population are internet users. The presentation also shows that 55% of internet users are conducting online banking activities. Another recent study<sup>5</sup> of internet usage reports that adults have become habitual in their use of search engines and email. These studies along with several others clearly support the notion that the general population, even the older population are computer and internet savvy.

A recent Investment Company Institute study<sup>6</sup> shows that 91% of households owning mutual funds have internet access, up from 68% in 2000. The study also shows that 79% of mutual fund shareholders use the internet on a daily basis. Finally, among other relevant data, the study shows that 84% of mutual fund shareholders use the internet for financial purposes. CSPN is of the view that 529 Plan investors are representative of the general population and, more specifically, of the mutual fund shareholder population in their abilities to access and navigate through the internet.

Statistics regarding investor use of Plan Disclosure Documents and those documents influence over investment decision-making are not readily available. However, generally, investors are required by the 529 Plan to acknowledge that they have read the Plan Disclosure Documents before the investor is allowed to complete a 529 Plan online account application. Plans have voluntarily designed this process to ensure that multiple attempts are made to focus the investor's attention on key disclosures and information material to their investment decision. In addition, there is an emerging trend among 529 Plans toward continuous improvement of Plan

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<sup>4</sup> *Baby Boomers and Digital Technology*, Lee Rainie, Director, Pew Internet Project, March 28, 2012.

<sup>5</sup> *Search and email still top the list of most popular online activities*, Kristen Purcell, Pew Internet & American Life Project, August 9, 2011.

<sup>6</sup> *Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet*, Investment Company Institute, 2011, Research Perspective, Vol. 17, No. 5, Oct. 2011.

Disclosure Documents. Increasingly, Plan sponsors are working to make the content of their Plan Disclosure Documents more relevant, easier to read, more logically organized, and more accessible to investors through a variety of mechanisms such as highlights brochures or highlights sections within Plan Disclosure Documents.

While most 529 Plan investors receive Plan Disclosure Documents prior to or at the time of account opening, CSPN does not believe that the investment decision is necessarily influenced by the timing of such receipt. In addition, CSPN does not believe that the timing of receipt influences how investors ultimately use Plan Disclosure Documents.

CSPN is of the view that the Plan Disclosure Documents are equally useful and important to both the direct-sold 529 Plan investor and the advisor-sold 529 Plan investor. In addition, although investors in advisor-sold 529 Plans generally rely on the advice and recommendation of a financial professional in making the investment decision, financial professionals have indicated that their clients increasingly request delivery of their Plan Disclosure Documents electronically.

### **Summary Prospectus**

CSPN strongly opposes the requirement to disseminate summary disclosures, similar to the summary prospectus permitted by the Securities and Exchange Commission for mutual funds. Many 529 Plans currently include some form of a highlights brochure or highlights section within the Plan Disclosure Documents delivered to each investor. These highlights generally contain high level summary descriptions of the investments available, tax and other implications of an investment and frequently requested topical information about the 529 Plan. An investor is then directed to the more detailed description of the 529 Plan contained in the following pages or an accompanying document.

Given the above-described practice with respect to the delivery of enrollment materials, CSPN believes that requiring another summary document would be redundant and could cause investor confusion. A summary prospectus approach would be impractical for a 529 Plan given the many investment options available. In most cases, a summary prospectus may end up being as lengthy as the complete Plan Disclosure Documents and would provide the investor with no additional, meaningful information. With most 529 Plans already offering a built-in summary of Plan features, a summary prospectus would provide no additional benefit to investors. Investors would be better served by the 529 plans focusing their energies on the continuous improvements efforts noted above.

## **Specific MSRB Questions**

### **1. What 529 plan disclosure documents are delivered by dealers to customers?**

Typically, each 529 Plan investor receives an enrollment kit consisting of the Plan Disclosure Documents, an enrollment form and a participation agreement.

### **2. How are such disclosure documents delivered by dealers to customers (e.g., hard copy, electronic delivery of PDFs)?**

If accounts are opened online, the investor receives the enrollment kit electronically (PDF file) with a hard copy available on request. Updates to Plan Disclosure Documents are delivered via hard copy unless the investor has opted to receive documents electronically. In the case of electronic delivery, they will either receive a PDF file of the updated Plan Disclosure Documents via email or receive an email with a link to the PDF online. The investor can also print a hard copy of the Plan Disclosure Documents for their files.

### **3. When are such disclosure documents delivered by dealers to customers (e.g., at account opening, at or prior to the time of trade, or at settlement)?**

Based on the responses to the CSPN Survey of 529 Plans, all investors receive Plan Disclosure Documents at or prior to the time of account opening.

### **4. Should investors in 529 plans receive plan disclosure documents in hard copy prior to making an investment decision?**

CSPN believes that Plan Disclosure Documents should be available to investors in electronic format with the option to receive them in hard copy. Plan Disclosure Documents are already generally available in an electronic format on 529 Plan websites and the number of investors enrolling and viewing their account information online continues to grow. Dissemination of Plan Disclosure Documents in electronic form can benefit investors in several ways. Electronic versions of documents are searchable, always include the most current information and are printable when needed. Electronic delivery could significantly reduce the printing and mailing costs for 529 Plans, which costs might otherwise ultimately be passed on to investors. Permitting electronic access to fulfill the delivery requirements under G-32 and G-17 may also encourage the future application of technological and software developments.

## **5. Do investors in 529 plans have the requisite sophistication to access plan disclosure documents electronically?**

Based on current CSPN data, 36% of direct-sold 529 Plan investors receive their Plan Disclosure Documents electronically. Although CSPN has not conducted its own studies regarding investor sophistication and electronic delivery of Plan Disclosure Documents, several studies exist supporting the general premise that the predominant choice in use of data and information has moved to electronically delivered information.<sup>7</sup>

## **6. Do investors in 529 plans have the requisite sophistication to review plan disclosure documents online by reference to a URL?**

Typically, when investors receive an email regarding Plan Disclosure Document updates, the URL provided is an active link that takes the investor directly to the PDF of the Plan Disclosure Documents. This process is a simple and intuitive interface that is effective for novice and sophisticated internet users.

## **7. Have customers expressed a preference for receiving plan disclosure documents in hard copy or online?**

Of the direct-sold 529 Plans responding to the CSPN Survey, more than half of the Plans report anecdotally that investors generally prefer to receive Plan Disclosure Documents online.

## **8. Is there a benefit to customers in receiving the hard copy of the Plan Disclosure Document by settlement of the transaction?**

CSPN does not believe that there would be any benefit to investors receiving a hard copy of the Plan Disclosure Documents by settlement. Since 529 Plan industry practice is to deliver Plan Disclosure Documents to 529 Plan investors prior to or at the time of the sale with no distinction between “preliminary” Plan Disclosure Documents delivered prior to or at the time of sale and “final” Plan Disclosure Documents delivered subsequent to sale, an additional delivery in hard copy of the Plan Disclosure Documents would be redundant and unnecessary. By making hard copies of Plan Disclosure Documents available upon request, 529 Plans will continue to serve investors who may not be able to, or prefer not to, access Plan Disclosure Documents electronically.

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<sup>7</sup> See, for example, *Baby Boomers and Digital Technology*, Lee Rainie, Director, Pew Internet Project, March 28, 2012. See also *Delivering ERISA Disclosure for Defined Contribution Plans: Why the Time Has Come to Prefer Electronic Delivery*, Peter P. Swire and Kenesa Ahmad, June 2011.

**9. Have customers described any benefits or drawbacks to receiving documents in hard copy?**

Of the 529 Plans responding to the CSPN Survey, a few Plans referenced the ability of investors to have a hard copy for their records. Some Plans also noted the detriment to the environment and complications related to delivery such as incorrect mailing addresses.

**10. Have customers described any benefits or drawbacks to receiving documents electronically?**

Please see the response to Question 9 above. In addition, anecdotally, 529 Plans have indicated the ease of use of electronic Plan Disclosure Documents with the ability to print and maintain a hard copy as desired.

**11. Although investors who open their accounts online are likely to anticipate receiving electronic delivery of documents through that online process, would it be appropriate for investors that open their accounts through an office visit or by phone to then be expected to receive electronic delivery of documents?**

CSPN believes it is appropriate for investors that open their accounts through an office visit or by phone to receive electronic delivery of documents. If an investor chooses to opt out of electronic delivery, they can request the hard copy of Plan Disclosure Documents in the office during their visit or by phone during the account opening process. They can also request a hard copy of Plan Disclosure Documents at any time by phone, in person, or in writing.

**12. Have clients who have established online accounts, whether through direct-sold or advisor-sold programs, expressed concern about delivery of plan disclosure documents electronically?**

Generally, no.

**13. Could any cost savings achieved through lower mailing or printing costs as a result of implementation of an electronic access program be passed on to customers?**

CSPN is of the view that investors could benefit from the cost savings achieved through lower mailing and printing costs. Please also see our response to Question 4 above.

**14. Have customers expressed confusion about the difference between complete Plan Disclosure Documents and plan disclosure supplements or amendments?**

Of the 529 Plans responding to the CSPN Survey, the overwhelming majority reported that investors have not expressed confusion about the difference between complete Plan Disclosure Documents and Plan disclosure supplements or amendments.

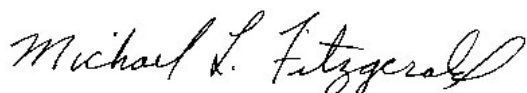
**15. Is there a difference in sophistication between individuals who invest in 529 Plans and individuals who purchase traditional municipal securities such that an electronic access program would be inappropriate for 529 Plan customers?**

The traditional municipal securities market is generally comprised of individuals, mutual and money market funds, property and casualty insurance companies, and commercial banks. Investors in 529 Plans are, with limited exceptions, individuals. Therefore, the sophistication level between these two different groups of investors is expected to be different. However, lack of institutional level sophistication should not be an indicator of the need to deliver Plan Disclosure Documents in hard copy. For example, a Nielson study from 2008<sup>8</sup> reported that over 80% of the households in the United States have computers and of those households, 92% had internet access. These statistics and other statistics referenced in this letter suggest that the electronic sophistication of investors reflects their ability to access Plan Disclosure Documents electronically.

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Thank you for this opportunity to comment on the Notice. CSPN would be pleased to provide additional information or to have the opportunity to discuss its comments at your convenience.

Sincerely,



Michael L. Fitzgerald  
Chair, College Savings Plans Network &  
State Treasurer of Iowa

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<sup>8</sup> *An Overview of Home Internet Access in the U.S.*, The Nielsen Company, December 2008.