



Utah Educational
Savings Plan®

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April 2, 2012

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

Re: Comments Concerning MSRB Notice 2012-10, Request for Comment on a Concept Proposal for Electronic Dissemination of 529 College Savings Plans

Dear Mr. Smith:

The Utah Educational Savings Plan (UESP) appreciates the 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 (Notice). UESP supports the concept of streamlining delivery options for 529 plan disclosure documents and offers the following observations in response to the questions posed in the Notice.

Background

UESP is a direct-sold, nonprofit, state-run Section 529 college savings plan. As a governmental issuer, UESP and its employees are generally exempt from registration with and regulation by the Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB). It is important to underscore that UESP takes its fiduciary role seriously, including its obligation to protect those who choose to save with the plan. UESP is committed to providing its account owners and prospective account owners with appropriate, easy access to UESP's Program Description and other meaningful information.

Under separate cover, the College Savings Plans Network (CSPN), with which UESP is affiliated, is submitting comments about how Notice 2012-10 would affect 529 plans. UESP concurs with the CSPN letter and submits these separate comments from UESP's perspective for consideration.

Trends in Internet Activity

The evolution of the Internet as a commercial venue has affected UESP's operations. Every account owner and prospective account owner may now view disclosure materials through the plan's website, uesp.org. Visits to the UESP website have a consistent upward trend.

In 2011, more than 80 percent of UESP accounts were opened online. In addition, the account owners of more than half of UESP's accounts (whether opened online or manually) have chosen to receive disclosure materials electronically. The electronic participation rates described above are noteworthy in light of the fact that UESP has only offered opening accounts online since December 2007. There has been dramatic growth in electronic participation rates by a combination of account owners who opened accounts: (1) online and chose electronic delivery of disclosure materials (a choice that can be changed to mail delivery at any time); and (2) manually and chose electronic delivery after the account was opened.

There are differences in Internet access and use among people of different ages and socioeconomic circumstances. However, an increasing preference to open accounts online and to access and store disclosure information and statements electronically is reflected across all demographics.

Seventy-five percent of UESP account owners with a self-reported income of less than \$50,000 per year now open their accounts online. This number of low- to middle-income account owners opening accounts online is only five percent lower than the total for all account owners. Part of this difference may be attributed a UESP low-income matching program that requires participants to submit paper forms and additional outreach efforts with paper materials in low-income communities.

Account owners from older age groups are the less likely to choose to receive disclosure materials, access information, or perform transactions electronically. However, the number of these older individuals opening accounts online and/or opting to receive disclosure materials through electronically is increasing.

As website visits and opening accounts online have increased, requests for hard-copy enrollment kits have declined to less than half of what they were three years ago. Regardless of the percentage of accounts being opened and maintained electronically, paper options will be offered for those who prefer to open accounts manually using paper forms and/or having hard copies of their disclosure materials delivered by mail.

Plan Disclosure Documents

UESP publishes a Program Description as its plan disclosure document. UESP continually works to make the Program Description logically organized and easy to understand. The Program Description includes a two-page Summary of Plan Features section that directs readers to more complete information in other sections of the document. The Program Description is available both as a hard copy and a downloadable PDF.

The process of opening a UESP account focuses a person's attention on key disclosures and information material to their investment decision. A hard copy of the Program Description is included in enrollment kits. A website visitor is given multiple prompts to download and read the Program Description. Regardless of whether a person opens an account by paper form or online, the person is required to

certify that they have received, read, understood, and agreed to all the terms in the Program Description.

Unlike most 529 plans, UESP is not required to submit its Program Description to the MSRB, so that it may be displayed on EMMA, the MSRB's disclosure web portal. For 529 college savings plans that market directly to investors without the assistance of a dealer, UESP requests that any access equals delivery standard developed be satisfied by directing account owners and potential account owners to the plan disclosure documents posted on: (1) the plan's website; or (2) the CSPN website as the centralized access point for electronic documents. This would assist in limiting investor confusion and avoid jurisdiction issues between such plans and the MSRB.

Summary Disclosures

UESP does not believe that preparation and distribution of a separate summary disclosure similar to the summary prospectus permitted by the SEC for mutual funds would provide additional benefits to account owners. As described above, UESP's Program Description is already delivered to prospective account owners and includes a Summary of Plan Features Materials section.

A requirement to publish another summary of plan features would be redundant and cause more confusion for prospective account owners. It could be interpreted as a replacement for the Program Description, leaving the Program Description to be ignored. A summary prospectus approach would also not be feasible for UESP because of the number of investment options offered. It could easily be as lengthy as the Program Description without providing additional meaningful information.

MSRB Specific Questions

The MSRB also requests comment on the following specific items:

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

As a direct-sold plan, UESP is responsible for delivery of all documents. Account owners are given either a hard copy or electronic access to UESP's Program Description prior to opening an account. After an account is opened, UESP sends a confirmation letter or e-mail to the account owner/agent. A quarterly newsletter is sent to each account owner (via the selected delivery preference) providing important plan information and updates. Each new version of the Program Description or supplement is delivered to all account owners electronically or by mail, in accordance with each account owner's selected delivery preference. Historically, UESP updates the Program Description annually and supplements are provided as needed.

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

As indicated above, they are delivered by UESP via the account owner's selected delivery preference.

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)?

They are provided before an account is opened.

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

UESP believes that the Program Description should be available to investors in the format of their choice. A mail delivery option will be maintained for those who prefer paper documents. There is little advantage and much cost in requiring paper copies to be provided to those who do not want them or will not use them.

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

A majority of UESP account owners have already opened accounts online and/or have elected to receive their Program Descriptions electronically, which demonstrates their comfort with and ability to use online features. Electronic access is an increasing trend in all aspects of electronic commerce, so the requisite sophistication should only increase in the future.

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

For those with online access, this seems to be a simple task.

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

For more than 50 percent of all UESP accounts, the account owners have selected an electronic delivery method for plan disclosure documents. This includes a combination of (1) those who opened accounts online and chose electronic delivery of disclosure materials (a choice that can be changed to mail delivery at any time); and (2) those who opened accounts manually and chose electronic delivery after the account was opened.

Every account owner who sets up online access can view plan disclosure documents and statements electronically, even if their delivery method is set as mail.

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

UESP does not believe that there would be a benefit to its account owners receiving a hard copy of the Program Description by settlement. An additional delivery in hard copy of the Program Description would be redundant and unnecessary because: (1) the UESP Program Description is delivered to prospective account owners prior to or at the time an account is opened; and (2) the account opening confirmation letter or e-mail reminds the account owner to refer to the Program Description for more information about managing their account.

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

Some will prefer hard copies or don't use electronic access; a hard copy option will be maintained for them.

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

The main reasons UESP account owners have said they like electronic documents are:

- Quick access and submission
- Elimination of paper storage
- Greater confidence that the current version of the document is being accessed
- Security, especially with statement delivery
- Environmental concerns
- Recognition that cost savings helps keep fees lower

A paper delivery option is maintained for those who prefer paper documents so they are not adversely affected by electronic delivery.

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

UESP believes it is appropriate for account owners who opened their accounts manually with a paper form to receive electronic delivery of future plan disclosure documents unless they opt out. This option should be adequately disclosed and offered during the account setup process. The account owner would be allowed to change the delivery preference at any time.

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?

UESP has received favorable responses when materials are made available electronically.

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?

UESP has experienced a significant reduction in printing and mailing costs as a result of account owners' voluntary election to receive electronic delivery of plan documents. For example, producing an electronic version of the last UESP Program Description for those who receive disclosure documents electronically saved 1.5 million sheets of paper, and mailing costs were significantly reduced. An access equals delivery standard should increase the cost savings, which are ultimately passed on to UESP's account owners through lower fees.

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

In one portion of a recent focus group session about marketing materials, individuals were given materials from a hard copy enrollment kit, including a Program Description and a supplement, which was actually placed inside the cover of the Program Description. The participants were asked to sort each of the documents into two piles. One pile was for the documents the participant considered to be important; the other pile was for the unnecessary or extraneous documents. More supplements were placed in the “extraneous” pile than were Program Descriptions, even though the two documents were initially together. This is anecdotal evidence that some people are confused about the relationship between hard copy supplements and hard copy Program Descriptions.

Program Description supplements being released and accessed in an electronic format benefits account owners. Each time a new supplement is produced, UESP inserts it at the beginning of the PDF file of the Program Description. Since the supplement and Program Description must be accessed together electronically, there is less confusion about the documents.

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?

UESP does not have information comparing the respective types of investors. However, UESP does not believe that electronic access is inappropriate for its account owners, provided that the account owner is given an opportunity to request delivery of a hard copy version.

Conclusion

UESP supports allowing the dissemination of its Program Description through a notice advising account owners that the documents are available for free electronically and that a hard copy version will be provided to the account owner upon request. UESP would be pleased to provide additional information to the MSRB or to have the opportunity to discuss UESP’s comments at your convenience.

As UESP’s Executive Director, I submit this response to the Notice. Thank you for allowing me to offer UESP’s perspective for your consideration.

Sincerely,

Lynne N. Ward, CPA
Executive Director
Utah Educational Savings Plan