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**From:** Umansky, David (OCFO) [mailto:david.umansky@dc.gov]  
**Sent:** Thursday, September 29, 2016 5:09 PM  
**To:** Brown, Ashley (NBCUniversal)  
**Cc:** Thompson, Tisha (NBCUniversal)  
**Subject:** DC 529 Questions 7 responses

1. Why should a family invest in a DC 529 plan?

The DC 529 website provides a host of good reasons why a resident with a child should participate in the DC 529 Plan. As stated on the website, the DC College Savings Plan is designed to help everyone save, regardless of income or investment experience. And, when you start saving for college may be even more important than how much you save, because even small sums can grow over time. You may save enough to pay for all of your child's college costs, or you may use the DC College Savings Plan account to supplement financial aid and loans. Either way, the DC College Savings Plan makes your job easier. Please find the link to the website.

<http://www.dccollegesavings.com>

2. What is the difference between the different plans? What does one plan offer versus another?

Individuals can use the comparison tools found at [Savingsforcollege.com](http://Savingsforcollege.com) which has a menu that includes a comparison of 529 plans by name and feature. Also, CSPN (College Saving Plan Network) has a website that offers a comparison by state of the 529 plans.

3. Why do some plans have higher expense ratios than others? Are they more complicated to manage? Do they have higher risk?

We cannot opine on other plans' expense ratios. We are working very hard to provide the most cost effective plan for DC residents. Our plan, at approximately \$400 million in assets, is a smaller when compared to other states and the initial startup costs associated with our plan was higher than average. We are in the process of hiring a Colleges Savings Services firm. When that firm is in place we will add a number of lower cost options to the plan.

4. How much does the DC government take from each plan to administer it?

On the DC College Savings website we outline in our disclosure booklet the administrative fee currently allocated for the administration of the plan. The fee collected is for the plan and those funds are not for DC Government operations.

Please see the DC 529 Disclosure booklet on page 14.

<http://www.dccollegesavings.com/Documents/DC-529-Program-Disclosure-Booklet.pdf>

5. How much money does the DC government make each year from these plans? I would love a grand total and a breakdown for each plan if possible.

As outlined in question 4 the administrative fee is used for the administration of the plan. The funds are not used for DC government operations. The plan is audited annually by an independent accounting firm. In our 2015 audited financial statement, administrative expenses totaled \$194,057.00 for the year.

<http://www.dccollegesavings.com/Documents/DC-529-Annual-Report-2015.pdf>

6. Does the DC government have a law or other prohibition on how much the plans can charge? Is there a limit to the expense ratio?

The 529 Plan is governed by D.C College Savings Act of 2002, D.C. Law 13-212, approved March 31, 2001, as amended by the College Savings Program Act of 2002, D.C. Law 14-307, approved June 5, 2003. The disclosure booklet outlines the expense ratio and fees for the underlying funds which are described on the 529 Plan website and in the prospectus of each of the funds.

7. Why do some of DC's 529 plans have expense ratios so much higher than the surrounding jurisdictions? A finance expert I spoke with said it might be because DC has a smaller pool to work with – not as much money as a larger state. We also noticed Calvert specializes in socially responsible investments – that maybe they come with a higher rate?

As stated in question 3 we cannot offer an opinion on other jurisdictions. When the DC Plan was initiated it had a smaller asset base than our neighboring states. As the plan has grown we have continued to make it more efficient and cost effective. With the selection of the new firm we will continue that effort by offering a number of low cost investment options. So, the expert was correct that a smaller pool can be more expensive and socially responsible investments programs tend to be more expensive when compared to non-social funds.

8. We had a Georgetown finance professor do the math for us and found, assuming a 5% rate of return, that a family who put \$4000 away for 18 years into the 529 plans with the highest expense ratios – residents in Maryland and Virginia would save more than \$9,000 more than DC residents because of the fees. Would like a response to that.

As mentioned in previous questions we will have a plan with a lower overall cost structure and lower cost investment options. Coupled with the DC Tax deduction of \$4000 for a single tax payer and \$8000 for a married couple this will make the DC Plan more attractive for DC residents. After the conclusion of the procurement

process we will be in a better position to compare the District plan to other states.

9. A viewer we interviewed said he wants to know the answers to these questions because he feels like the 529 fees are being carried on the backs of working residents who are trying to save money for their children's education – that everything should be done to help residents save as much money as possible without making money off of the kids. I obviously want give the DC government an opportunity to respond to that.

We understand participants concerns and we strive to make the plan as efficient as possible. We believe with the selection of a new firm that participants will see cost effective enhancements to the Plan.

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**From:** Brown, Ashley (NBCUniversal) [<mailto:Ashley.Brown@nbcuni.com>]  
**Sent:** Wednesday, September 28, 2016 4:27 PM  
**To:** Umansky, David (OCFO)  
**Cc:** Thompson, Tisha (NBCUniversal)  
**Subject:** RE: DC 529 Questions

Got it, appreciate the update - will check back in in a couple of days.

Thanks again!  
Ashley

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**From:** Umansky, David (OCFO) [<mailto:david.umansky@dc.gov>]  
**Sent:** Wednesday, September 28, 2016 4:03 PM  
**To:** Brown, Ashley (NBCUniversal)  
**Subject:** RE: DC 529 Questions

Our folks are still working on them.

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**From:** Brown, Ashley (NBCUniversal) [<mailto:Ashley.Brown@nbcuni.com>]  
**Sent:** Wednesday, September 28, 2016 3:54 PM  
**To:** Thompson, Tisha (NBCUniversal); Umansky, David (OCFO)  
**Subject:** RE: DC 529 Questions

Hey David!

Checking back in to see if you've had a chance to start looking at and responding to the questions – we're hoping to have the answers no later than this Friday in order to meet our deadline on this story.

Also, if you could kindly reply-all so both Tisha and I get the responses, that would be super-helpful.

Thanks!

Ashley

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**From:** Thompson, Tisha (NBCUniversal)  
**Sent:** Monday, September 26, 2016 4:08 PM  
**To:** Brown, Ashley (NBCUniversal); Thompson, Tisha (NBCUniversal); 'david.umansky@dc.gov'  
**Subject:** DC 529 Questions

David –

Thanks so much for helping us out on this story about 529 plans.

We had a viewer call us and ask us to take a look at 529 plans and whether it was worth investing in the DC plans because they have such a high expense ratio compared to surrounding states. I know you mentioned that you can't answer some of these questions based on SEC rules – so if there's a way to answer some on camera or have you point us to places on your website that might answer some of these questions – that would be terrific. If you can't answer a specific question, please give me a statement about why.

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2. What is the difference between the different plans? What does one plan offer versus another?
3. Why do some plans have higher expense ratios than others? Are they more complicated to manage? Do they have higher risk?
4. How much does the DC government take from each plan to administer it?
5. How much money does the DC government make each year from these plans? I would love a grand total and a breakdown for each plan if possible.
6. Does the DC government have a law or other prohibition on how much the plans can charge? Is there a limit to the expense ratio?
7. Why do some of DC's 529 plans have expense ratios so much higher than the surrounding jurisdictions? A finance expert I spoke with said it might be because DC has a smaller pool to work with – not as much money as a larger state. We also noticed Calvert specializes in socially responsible investments – that maybe they come with a higher rate?
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DC residents because of the fees. Would like a response to that.

9. A viewer we interviewed said he wants to know the answers to these questions because he feels like the 529 fees are being carried on the backs of working residents who are trying to save money for their children's education – that everything should be done to help residents save as much money as possible without making money off of the kids. I obviously want give the DC government an opportunity to respond to that.

Thanks,

Tisha

**TISHA THOMPSON**  
Investigative Reporter



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