Pennsylvania 529 Investment Plan Fee Reduction
Questions and Answers

What is happening?
The annual asset-based fees charged for all Investment Options in the Pennsylvania 529 Investment Plan are being reduced. Almost all account owners will see a reduction of nearly 25% or more. Depending on which Investment Option is chosen, the new fees will range from 0.49% (49 basis points) to 0.64% (64 basis points) down from 0.70% (0.75% for the Social Index Portfolio).

To accomplish these reductions in fees, the Pennsylvania Treasury, Vanguard, and Upromise worked together to create a service model that will decrease expenses for participants in the Pennsylvania 529 Investment Plan. As a result, Treasury is bringing several functions in-house, most notably customer service. Crucially, the investments will remain the same, and Vanguard will continue to manage them. Upromise Investment Advisors will also continue to maintain the program records and handle processing.

What does this mean?
This new agreement could save current and future participants over $12 million in fees through 2016 (when the Vanguard and Upromise contracts are due to expire). Think of it this way, with less money being deducted for fees, more money remains in the Investment Plan accounts – and that means more money stays invested and is available to grow!

What differences will I see?
Hopefully the only change you'll see is the fee reduction! The other changes should be less obvious. Beginning July 1, 2010, Pennsylvania 529 Investment Plan customer service will now be provided by the Pennsylvania Treasury. The Pennsylvania Treasury staff has been trained to handle your calls, respond to your inquiries, and resolve any problems. Our goal is to provide you with the same high level of service you've come to expect from the Pennsylvania 529 Investment Plan.

The customer service hours are also changing. Starting July 1, they will be 8:00 AM ET to 6:00 PM ET, Monday through Friday.

Why is this happening?
When Treasurer McCord came into office last year, he began to look for ways to maximize the investment returns for the Pennsylvania 529 Investment Plan. One of the surest ways to reach this goal was – and is – to minimize fees. Treasury was able to leverage services that it was already providing to the Pennsylvania 529 Guaranteed Savings Plan – the second of the two 529 college savings plans offered by the McCord Treasury.

Does this mean that the Plan was overcharging account owners before?
No. By changing the respective responsibilities of Treasury, Vanguard and Upromise, the expenses of the administering the Investment Plan were reduced. Treasury is simply passing along that savings to account owners.

What will the new Plan expenses be?
The range of all-in costs for the plan will decrease from 0.70-0.75% to 0.49-0.64%, representing savings of 15-30% for the PA 529 Investment Plan participants. As in the past, a portion of this fee will cover the expenses for the underlying Vanguard mutual fund portfolios. What will change is the allocation of fees between the Pennsylvania Treasury, Vanguard, and Upromise for the respective services they perform on behalf of the PA 529 Investment Plan. In addition, the Underlying Fund Expenses fees included in the chart below reflect expenses as of July 1, 2010 but may change in the future. If a change in an Underlying Fund Expense occurs, a change in the expense ratio of the Investment Option might also change – depending on factors that include, but are not limited to, the amount of the change and the portion of the Underlying Fund contained in the Investment Option.

For a more in-depth look at the expense breakdown, see the reference chart below.

New fee breakdown:

Portfolio	Underlying Fund Expense	Operational Support Fee	State Fee	Total Annual Asset-Based Fee
Aggressive Growth Portfolio	0.07%	0.36%	0.10%	0.53%
Growth Portfolio	0.07%	0.36%	0.10%	0.53%
Moderate Growth Portfolio	0.06%	0.36%	0.10%	0.52%
Conservative Growth Portfolio	0.05%	0.36%	0.10%	0.51%
Income Portfolio	0.06%	0.36%	0.10%	0.52%
Conservative Income Portfolio	0.09%	0.36%	0.10%	0.55%
Money Market Portfolio	0.13%	0.36%	0.10%	0.59%
Total Stock Market Index Portfolio	0.03%	0.36%	0.10%	0.49%
Inflation-Protected Securities Portfolio	0.08%	0.36%	0.10%	0.54%
Social Index Portfolio	0.18%	0.36%	0.10%	0.64%

Former fee breakdown:

Portfolio	Underlying Mutual Fund Expense	Program Management Fee	State Fee	Total Asset-Based Fee
Aggressive Growth Portfolio	0.07%	0.555%	0.075%	0.70%
Growth Portfolio	0.07%	0.555%	0.075%	0.70%
Moderate Growth Portfolio	0.06%	0.565%	0.075%	0.70%
Conservative Growth Portfolio	0.05%	0.575%	0.075%	0.70%
Income Portfolio	0.06%	0.565%	0.075%	0.70%
Conservative Income Portfolio	0.09%	0.535%	0.075%	0.70%
Money Market Portfolio	0.13%	0.495%	0.075%	0.70%
Total Stock Market Index Portfolio	0.03%	0.595%	0.075%	0.70%
Inflation-Protected Securities Portfolio	0.08%	0.545%	0.075%	0.70%

Social Index Portfolio	0.18%	0.495%	0.075%	75.00%

Will the investments change?
No, the plan will still offer the same line-up of portfolios made up of the same underlying Vanguard Mutual Funds.

Will the contact information remain the same? (i.e.: phone, Web address, e-mail and mailing address)
Yes and no. The Web site and mailing address remain the same; however there is a new phone number and e-mail address.

Phone: 1-800-440-4000
E-mail: paip@patreasury.org
Web address: www.MakeCollegePossible.com
Mailing Address: Pennsylvania 529 Investment Plan Processing Center
P.O. Box 55378
Boston, MA 02205-5378

Will account maintenance options or Web access to accounts be affected?
No. Account options – including AIP, Interested Party, Agent Authorization, Successor Account Owner, Delivery Preferences and Payroll Deductions – will be unaffected by this change. Account owners will have the same Web access to account information and will not need to make any changes to access their information.

Are any of the features or the benefits of the Plan affected?
No. All the features and benefits of the Investment Plan will remain the same. The Pennsylvania state tax deduction, inheritance tax exclusion, SAGE Scholars tuition rewards, Upromise rewards service, state financial aid protection and protection from creditors remain unchanged.

Are the current forms and deposit slips still valid?
Yes. The forms and deposit slips are not changing. Just make sure you are using ones with the current address as given above (which is not a change).

How will this affect my payroll deductions from an employer?
Payroll deductions will not be affected by this transition.

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