Dear Fellow Pennsylvanians:

On behalf of the Tuition Account Program Advisory Board, I am pleased to present the annual report of the Pennsylvania 529 College and Career Savings Program (PA 529) for Fiscal Year 2020-21.

PA 529 continues to be a vital tool used by families to help save for higher education. Over nearly three decades, the program has helped pay more than $4.8 billion in higher education expenses for nearly 146,000 account beneficiaries. In Fiscal Year 2020-21, the program added more than 25,000 new accounts — the largest single-year increase in new accounts in the program’s history. There are now more than 267,000 PA 529 Investment Plan (IP) and PA 529 Guaranteed Savings Plan (GSP) accounts. PA 529 account owners also saved more than ever before in FY 2020-21, making more than $730 million in new contributions. The PA 529 Program now has more than $7 billion in total assets.

The PA 529 GSP had a 14.4% rate of return and ended the fiscal year with an actuarily funded rate of 143.46%, the ninth consecutive year it was actuarily funded at more than 100%.

We’re always looking for ways to keep fees as low as possible, and we were able to lower PA 529 IP state administration fees from 0.06% to 0.055%, saving families nearly $220,000 in fees across the plan. PA 529 IP account owners also saw investment strategy changes, as Treasury transitioned age-based investment portfolios to new target enrollment portfolios. This new strategy automatically, and more frequently, shifts asset allocations to lessen risk as a child reaches an anticipated enrollment date. In October, the PA 529 IP was designated with Morningstar’s Silver Rating™ for the second consecutive year, ranking it as “Best in Class” among 529 plans. And PA 529 IP account owners can now more easily access their plan with the launch of the READYSAVE 529 app this spring.

The Keystone Scholars Child Development Account (CDA) program continues its success. More than 10% of eligible babies have been registered by their parents for the automatic $100 Keystone Scholars deposit. Nearly 21% of those Keystone Scholars families have also opened and linked their own PA 529 account – already saving $18 million for future higher education expenses.

Keystone Scholars uses no taxpayer dollars and is funded by philanthropic donations and surplus earnings in the PA 529 GSP. Through philanthropic partnerships, Keystone Scholars was able to offer the Bright Future Booster, a targeted additional $50 deposit, for babies born January 2021 through June 2021 to mothers enrolled in WIC programs.

Starting in October of this year, access to saving with PA 529 is easier than ever, as the minimum deposit to open an account was eliminated, and families can now contribute as little as a dollar at any time. This makes it possible for families to save even small amounts to help build their child’s bright future.

The continued success of the PA 529 program demonstrates the great need for education savings tools and the value they bring to families across the Commonwealth. As we continue working to reduce fees and offer the best plans possible, families are able to choose the plan that works best for their budget and will best help them reach their savings goals.

Sincerely,

Stacy Garrity
Pennsylvania State Treasurer
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INTRODUCTION
Brief Program Overview.

The Pennsylvania 529 College and Career Savings Program provides one of the best ways to save for higher education. It is an easy and tax-efficient way to make higher education affordable. To meet the needs of nearly anyone who wishes to invest for higher education, Pennsylvania offers two distinct plans – the Pennsylvania 529 Guaranteed Savings Plan (PA 529 GSP) and the Pennsylvania 529 Investment Plan (PA 529 IP).

The PA 529 GSP is a lower-risk way to save. When used for higher education, growth is based on college tuition inflation. For example, if a family has saved enough for one or 120 credits at a Pennsylvania State System of Higher Education university, they will have enough for that many credits at that university in the future – no matter how much tuition has increased. It can be used at any college, university, or trade school that is eligible to participate in federal student aid programs, elementary and secondary school tuition expenses up to $10,000 per year, and to pay for certain eligible apprenticeship costs. And, even if the account is not used for education, the minimum amount refunded is the remaining principal, minus any fees. The Pennsylvania Treasury oversees the investments.

Administered through the PA 529 GSP by the Pennsylvania Treasury Department, Keystone Scholars is Pennsylvania's statewide Child Development Account (CDA) program. It provides a $100 starter deposit for higher education to every Pennsylvania child at birth. 

Research shows that a child with even a modest amount of higher education savings is three times more likely to continue on to a 2- or 4-year college and four times more likely to graduate. Keystone Scholars sets the expectation at birth for every child in Pennsylvania to pursue some form of postsecondary education and it encourages families to start saving on their own early. The starter deposit and its earnings can be used on qualified expenses at any type of postsecondary institution, both in and outside the state.

The program’s second plan, the PA 529 IP, offered 25 different investment options during the period covered by this Annual Report, including eleven Target Enrollment Portfolios, provided by The Vanguard Group. These options include varying asset allocations, ranging from 100 percent equities to inflation-protected securities.

Both plans provide the same great advantages:

- **Tax deferral and exemption.** Earnings grow tax free and, when used for qualified higher education expenses, are tax exempt.
- **Pennsylvania income tax deduction.** Contributions to both plans are deductible from taxable state income up to $15,000 per beneficiary each year. For a married couple with two incomes of $15,000 or more each, the deduction could total $30,000 per child.
- **Federal gift and estate tax advantages.** Contributions up to $75,000 can be made in a single year ($150,000 for a married couple filing jointly) for each beneficiary and prorated over five years for federal gift and estate tax purposes. And, while contributions are considered completed gifts and are no longer part of the contributor’s estate, the contributor (if the account owner) retains complete control – including the ability to take back contributions at any time for use toward any other purpose (subject to applicable taxes and penalties).
- **Pennsylvania inheritance tax exemption.** Assets in a PA 529 account are not subject to Pennsylvania inheritance tax, which, depending on the heirs, could be a savings of up to 15 percent of the assets.
- **No income restrictions.** Unlike most other tax advantages for saving (like the American Opportunity Credits, formerly the Hope Credit or the Lifetime Learning Credit, and Roth IRAs), there are no income restrictions to limit who can benefit from a 529 plan's tax advantages.
- **Federal bankruptcy protection.** Assets in a PA 529 account are protected in federal bankruptcy proceedings, depending on when contributions were made and the value of the account.

1 Includes babies born after December 31, 2018 who are adopted by PA residents.
• **Protection from creditors.** Assets in a PA 529 account are protected in state court proceedings from creditors of the account owner and/or the beneficiary.

• **State financial aid advantage.** Assets in a PA 529 account are not counted in determining state financial aid eligibility. PA 529 savings will not disqualify otherwise eligible students from getting Pennsylvania grants – or reduce the grant awarded. In academic year 2020-21, the average PA 529 account beneficiary received about $173 more in state grants because of this advantage. Over four years of undergraduate school, that would be nearly $692.

• **Tuition discounts at over 430 private colleges nationwide with 56 in Pennsylvania.** Through the program’s arrangements with SAGE Scholars, tuition discounts, like “frequent flyer miles” for college tuition, are earned based on the value of the PA 529 College and Career Savings Program account. Discounts can be earned of up to one year of tuition (currently valued at $7,188 to $61,190 – depending on the school). To date, PA 529 account beneficiaries enrolled in SAGE have earned over $1 billion in potential tuition discounts.

• **Cash back rewards.** Account owners can link their PA 529 accounts to a Upromise Rewards program account, which allows families to earn cash back on qualified purchases from some of America’s leading companies, including grocery stores, drug stores, gas stations, restaurants, retail stores, and online shopping sites. The cash back earned can be invested automatically in their PA 529 accounts on a quarterly basis. Through June 30, 2021, PA 529 account owners earned $20.09 million through Upromise Rewards.

**Program Administration.**

Act 11 of 1992 charged the Pennsylvania Treasury with establishing and administering the PA 529 College and Career Savings Program and required the department to create the Tuition Account Programs Bureau, now called the Bureau of Savings Programs. Treasury’s investment advisors and asset managers oversee assets in the PA 529 GSP. Contributions to a PA 529 IP account are invested in Vanguard mutual funds with oversight by Treasury. Ascensus College Savings Recordkeeping Services, LLC performs the record-keeping and processing functions for both the PA 529 GSP and PA 529 IP, with close supervision by the Bureau of Savings Programs. The Bureau is also responsible for customer service and marketing for both plans.
Advisory Board Members [as of June 30, 2021]

Dr. Brenda A. Allen
President
Lincoln University

James L. Haddock
Small Business Owner

Jeffrey S. Batoff, Esquire
Obermayer Rebmann Maxwell & Hippel LLP

Barbara Mattleman
Education Advocate/Consultant

The Honorable Andrew E. Dinniman
Retired Member, Senate of Pennsylvania

Dr. Richard E. McDowell
President Emeritus
University of Pittsburgh at Bradford

Mark D. DiRocco, Ph.D.
Executive Director
Pennsylvania Association of School Administrators

The Honorable Michael Peifer
Pennsylvania House of Representatives

John R. Evans
Former Member,
Pennsylvania House of Representatives

Dr. Jonathan Peri
President, Manor College
Chairman, Council of Higher Education

Tanya Garcia
Deputy Secretary
Pennsylvania Department of Education

The Honorable Jason E. Salus
Treasurer
Montgomery County

The Honorable Stacy L. Garrity
State Treasurer

John J. Sygielski, Ed.D.
President
Harrisburg Area Community College

Dr. Daniel Greenstein
Chancellor
Pennsylvania State System of Higher Education
PA 529 IP Maintains Morningstar Silver Rating™

For the second year in a row, after improving from Neutral to Silver in just two years, the PA 529 IP has again received a Silver Rating™ from Morningstar in its review of the “Top 529 College Savings Plans” for 2021. This Morningstar Silver Rating™ puts the PA 529 IP among an elite group of 32 “Best in Class” plans, only 14 of which received a gold or silver rating, less than 23% of all plans rated.

Morningstar, a highly respected and reliable source of independent investment analysis, rates 529 plans in four key pillars: Process, People, Parent, and Price. According to Morningstar, the PA 529 IP received a Morningstar Silver Rating™ based on attractive pricing, well-resourced, thoughtfully designed investment lineup, and Treasury’s commendable oversight of the program. Morningstar calls special attention to Treasury’s diligent oversight in helping to uncover an error in the target enrollment investment option’s underlying investment composition.

Record Number of Families Saving at Record Levels.

PA 529 Marketing and Outreach

One of the most important goals for the program is to increase awareness and usage of PA 529. Each Pennsylvania family with higher education in its future needs to know about this great state-offered program. Of course, increased awareness alone is not enough. Families need to be encouraged to open accounts and begin saving as early in their children's lives as possible. And those with accounts need to be encouraged to save more. These continue to be the three goals of the PA 529 program’s marketing and outreach efforts.

In conjunction with its marketing partners, the PA 529 program finalized a new marketing plan in fiscal year 2020-2021. This plan is designed to “Educate | Inform | Engage | Inspire | Optimize” in line with our marketing and outreach goals of increasing account openings and contributions (particularly automated contributions), educating parents, and identifying and tracking results for effectiveness and efficiency.

The Bureau also worked with its marketing partners to develop a “blitz” advertising campaign ahead of 529 Day. The campaign theme used was “Early Start – Rewarding Finish” and included advertisements with updated messaging and marketing content. Ads for PA 529 were created highlighting four professionals, including a healthcare and agricultural professional. New commercials along with digital and traditional media were developed and created to run throughout the summer and will continue to be used afterwards.

A new online dashboard was created to monitor overall website traffic, including the source and effectiveness of digital advertising and other mediums. By measuring the paths users take when starting a new online enrollment, it further helps Treasury to make informed and data-driven decisions to support its overall marketing and outreach goals.

The PA 529 program continued to use a variety of marketing tactics including direct mail, email, digital media advertisements, and webinars in addition to earned media. New platforms continued to expand our presence in the digital arena, utilizing social media, paid search, and banner advertisements. Additional tactics used in fiscal year 2020-2021 included television, podcasts, and out-of-home advertisements such as billboards and transit ads.

Additionally, and combined with outreach related to Keystone Scholars, the program continues to reach new individuals through partnerships with legislators, hospitals and healthcare systems, employers, financial planners, accountants, tax advisors, community organizations, and schools.
**PA 529 Account Growth Continues to Surge**

There were 25,074 new PA 529 accounts in fiscal year 2020-2021, compared with 22,715 in the prior year, an increase of over ten percent.

7,340 new PA 529 GSP accounts were opened compared to 8,020 last fiscal year. While this represents a year-over-year decrease (-8.5 percent), it should be noted that PA 529 GSP growth continues to outpace similar prepaid plans in other states. Nationwide, the average annual growth rate (2011-2021) of open prepaid accounts has actually decreased 1.3% while the rate of PA 529 GSP account growth for the same period has grown 1.1%. In the PA 529 IP, 17,734 new accounts were opened compared to 14,695 in 2019-20 (20.7 percent increase).

While the average annual growth rate of direct-sold accounts has only increased 6.9%, the IP account growth rate was 8.8%. PA 529 account growth can be attributed to a number of factors, including the IP's low fees and the underlying funds' positive performance as well as the unique nature of the GSP, and Keystone Scholars' ability to reach historically underserved families. The following graph shows the history of new accounts over the last five years.

As the chart below shows, PA 529 account growth continues to outpace other states’ plans.
Total Enrollment Increased

Total enrollment for the PA 529 program increased to 264,972 accounts – an increase of 5.6 percent over June 30, 2020 and the highest number of PA 529 accounts since the Program's inception. The PA 529 GSP increased only slightly – from 109,411 to 109,948 – an increase of less than one percent – while the PA 529 IP increased from 141,557 to 155,024 – an increase of 9.5 percent. The graph below provides the history of total net enrollment over the last five years.

![Total Net Enrollment as of June 30 and % Year-Over-Year Changes](chart)

<table>
<thead>
<tr>
<th>Year</th>
<th>529 GSP</th>
<th>529 IP</th>
<th>Total 529</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>N/A</td>
<td>9.46%</td>
<td>N/A</td>
</tr>
<tr>
<td>2018</td>
<td>0.07%</td>
<td>7.98%</td>
<td>4.82%</td>
</tr>
<tr>
<td>2019</td>
<td>0.52%</td>
<td>8.48%</td>
<td>4.47%</td>
</tr>
<tr>
<td>2020</td>
<td>1.07%</td>
<td>8.48%</td>
<td>5.12%</td>
</tr>
<tr>
<td>2021</td>
<td>0.49%</td>
<td>9.51%</td>
<td>5.58%</td>
</tr>
</tbody>
</table>
PA 529 Assets Continue to Grow

Total assets in the PA 529 program were $6.8 billion—a significant increase of 23.0 percent compared to June 30, 2020 ($5.5 billion). This represents the highest level of assets under management since the Program’s launch.

The PA 529 GSP increased from $2.1 billion to $2.4 billion, an increase of 13.2 percent. PA 529 GSP growth continues to outpace similar prepaid plans in other states. Nationwide, the average annual growth rate (2011-2021) of open prepaid assets has increased 4.9% while the rate of PA 529 GSP asset growth for the same period has grown 5.7%.

The PA 529 IP increased from $3.4 billion to $4.4 billion, an increase of 29.12%. While the average annual growth rate (2011-2021) of direct-sold assets has only increased 13.3%, the IP asset growth rate was 16.4%.

As the chart below shows, PA 529 asset growth continues to outpace other states’ plans.

<table>
<thead>
<tr>
<th>GSP</th>
<th>IP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Growth Rate</td>
<td>5.7%</td>
</tr>
<tr>
<td>National Average</td>
<td>4.9%</td>
</tr>
</tbody>
</table>

Pennsylvanians Continue to Make Record—breaking Contributions to their Accounts

The total amount contributed into all PA 529 accounts was $732.2 million—an increase of 12.3 percent compared to last fiscal year ($652 million) and the highest amount contributed in one year since the program’s inception in 1993. The graph below shows the gross contributions made into all PA 529 accounts by fiscal year.

| PA 529 Combined Gross Contributions by Fiscal Year and % Year-Over-Year Changes |
|-------------------------------|-----------|
| $800,000,000 | $700,000,000 |
| $600,000,000 | $500,000,000 |
| $400,000,000 | $300,000,000 |
| $200,000,000 | $100,000,000 |
| $0 | $0 |

<table>
<thead>
<tr>
<th>FY 2016-17</th>
<th>FY 2017-18</th>
<th>FY 2018-19</th>
<th>FY 2019-20</th>
<th>FY 2020-21</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Changes</td>
<td>N/A</td>
<td>9.97%</td>
<td>3.54%</td>
<td>10.84%</td>
</tr>
</tbody>
</table>
Families Across the Commonwealth are Served

The PA 529 serves families throughout the state. For each county, the following map shows the amount of contributions (not including growth) in current accounts and the percentage of the population under 18 years of age who have accounts.

While families in every county have accounts, the level of coverage (also referred to as penetration rate) varies considerably. Not surprisingly, generally counties with higher average household income have a higher percentage of children with accounts. That being said, PA 529 penetration has increased since last year, 9.0% in 2021 compared to 8.6% in 2020.

PA 529 continues to strive to increase its reach to Pennsylvanians in these underserved counties. One way is through Keystone Scholars (see the Keystone Scholars section on page 45) which introduces all families to the benefits of saving for higher education as early as possible through its universal, automatic, at-birth starter deposit. Another is the Treasury-wide rural outreach initiative. As the map below shows, there is a significant overlap between rural counties and low PA 529 participation.
$444 MILLION TO HELP MAKE HIGHER EDUCATION POSSIBLE FOR OVER 31,000 STUDENTS.

The number of students who used their PA 529 accounts continued to grow. This fiscal year, 31,263 students benefited from $123.0 million in earnings. By plan, 7.27 percent fewer students (15,499 versus 16,714) used their PA 529 GSP accounts, while 10.2 percent more students (15,764 versus 14,300) used their PA 529 IP accounts in this fiscal year compared to fiscal year 2019-20. The total dollar amount of payouts decreased – about $443.9 million compared to $464.7 million in 2019-20 – a decrease of 4.5 percent. While there was a 12.1 percent decrease in the dollar amount of PA 529 GSP payments ($212.4 million vs. $241.6 million), there was an increase of 3.8 percent for the PA 529 IP ($231.6 million vs. $223.1 million). The chart below details the usage for qualified withdrawals this fiscal year and since each plan’s inception.

PA 529 Payments for Higher Education

<table>
<thead>
<tr>
<th></th>
<th>PA 529 GSP FY 2020-21</th>
<th>PA 529 IP FY 2020-21</th>
<th>Combined FY 2020-21</th>
<th>PA 529 GSP Since Inception (September 1, 1993)</th>
<th>PA 529 IP Since Inception (July 17, 2002)</th>
<th>Combined Since Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Payments</td>
<td>36,873</td>
<td>39,317</td>
<td>76,190</td>
<td>606,820</td>
<td>269,735</td>
<td>876,555</td>
</tr>
<tr>
<td>No. of Beneficiaries</td>
<td>15,499</td>
<td>15,764</td>
<td>31,263</td>
<td>92,413</td>
<td>46,464</td>
<td>138,877</td>
</tr>
<tr>
<td>No. of Schools Attended</td>
<td>1,165</td>
<td>N/A</td>
<td>1,165+</td>
<td>2,790</td>
<td>N/A</td>
<td>2,790+</td>
</tr>
<tr>
<td>Negative Surrender Value Payments</td>
<td>906</td>
<td>N/A</td>
<td>N/A</td>
<td>277,974</td>
<td>37.57%</td>
<td>N/A</td>
</tr>
<tr>
<td>Surrender Value*</td>
<td>$54,975,331</td>
<td>N/A</td>
<td>NA</td>
<td>$151,400,284</td>
<td>N/A</td>
<td>NA</td>
</tr>
<tr>
<td>$ Amount of Payments</td>
<td>$212,350,662</td>
<td>$231,597,169</td>
<td>$443,947,831</td>
<td>$2,936,234,253</td>
<td>$1,621,215,901</td>
<td>$4,557,450,154</td>
</tr>
<tr>
<td>Amount of Gain</td>
<td>$52,214,159</td>
<td>$70,759,967</td>
<td>$122,974,126</td>
<td>$841,245,173</td>
<td>$365,966,329</td>
<td>$1,207,211,501</td>
</tr>
</tbody>
</table>

*Surrender Value is the difference between a withdrawal’s Market Value and its Tuition Inflation Value.

**Average Aggregate Return.

Most significantly, this year alone, families who used their PA 529 GSP accounts for higher education collectively gained $52.2 million in growth by saving through the plan; since inception, they have gained $841.2 million for an average cumulative growth of 40.2 percent. Families taking withdrawals this year from the PA 529 IP for higher education expenses had collective gains of $70.8 million; since inception, they have gained $366.0 million for an average cumulative return of 29.2 percent.

Once again this year, the surrender value of the PA 529 GSP continues to improve. This is the eleventh year of significant improvement and the eighth year in a row since fiscal year 2007-08 that the overall surrender value for the year was positive – $55.0 million. Likewise, the aggregate surrender value, from the inception of the PA 529 GSP through the end of fiscal year 2020-21, remains positive. Of 606,820 payments, 227,974 (37.6 percent) had negative surrender values and, therefore, benefited from the guarantee. The total shortfall amount for all qualified withdrawals through June 30, 2021, improved to $151.4 million on payments of $2.9 billion from $97.5 million on payments of $2.7 billion last year.
Treasury Transition.

On January 19, 2021, Stacy Garrity succeeded Joseph Torsella as Pennsylvania Treasurer. This transition from a Treasurer of one party to that of another was seamless. Virtually all aspects of the program, from outreach and marketing to relationships with external partners, continued without interruption. The PA 529 and Keystone Scholars programs were among Treasurer Garrity’s initial priorities, along with a renewed focus on outreach particularly in rural areas. Morningstar, in its annual rating process, recognized the commendable oversight and diligence of the Treasury Department especially amidst a transition of power.

New and Diverse Markets.

In addition to enhanced outreach in rural areas, Treasury designed a marketing campaign to reflect, and thus reach, the diversity of Pennsylvania residents. The program sought to expand its reach to lower-income families through the Bright Future Booster initiative, in which an additional, one-time $50 deposit is made into the Keystone Scholars accounts of babies born between January 1 and June 30, 2021 to mothers enrolled in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) program at the time of birth.

COVID Response.

Undoubtedly, the most significant challenge facing the country in recent memory is the nationwide outbreak of COVID-19. The program, including the Bureau’s customer service call center, continue to operate remotely as the pandemic is closely monitored by the Department. Details of the Bureau’s response to the COVID-19 situation are outlined below.

I. Call Center Operations

Since remote operations began, there has been no interruption to service and the Call Center Staff has been able to make out-bound calls including the ability to return voicemails and call Account Owners regarding correspondence received by the plans. E-mails to the plans are also being answered as usual.

Call Center Operations continue to run smoothly, even through the busy summer payment season, when call volume and Account Owner correspondence increases significantly.

II. Outreach

The nationwide increase in COVID-19 cases in the fall of 2020 through spring 2021 prevented outreach specialists from attending any in person events. Additionally, members of our outreach team were temporarily reassigned to assist another Treasury bureau during the fall of 2020.

As many industries across the state (and nation) began to reopen in the spring of 2021, some partners readily transitioned from webinars to in-person events, while other partners remained more comfortable with virtual talks. In early 2021, a new outreach specialist was added in northwestern PA. While continuing to telework, outreach specialists updated outreach plans, certain collateral materials, a comprehensive event tracking document, and worked on additional projects as requested. Outreach Specialists created new public webinars to present regularly, gave a record number of webinars, and increased outreach to rural Pennsylvanians.

In June 2021, Outreach Specialists started traveling again to live in-person events, with a renewed focus on attending many county fairs around the state. New promotional items and material was created to use when staffing an informational table.
III. Messaging

The Bureau gradually removed or shifted any COVID-19 website content.

- **PA 529 Website** – A homepage message remains online to let families know that PA 529 is fully operational while employees continue to telework.

- **Emails** – The Bureau continues to communicate via email for account update and marketing purposes.

- **Videos** – The videos created at the onset of the pandemic remain online and show PA 529 GSP and PA 529 IP account owners how to make contributions, make withdrawals, and change tuition levels (GSP) and investment options (IP).

In addition, the Bureau updated similar content for the PA ABLE Savings Program, including a page on its website with resources specifically for individuals with disabilities impacted by COVID-19.

**PA 529 IP Investment Option Changes.**

The PA 529 IP investment options now include 14 individual static investment options and 11 Target Enrollment Date Portfolios. The individual options range from conservative to aggressive, including a socially responsible equity portfolio. The Target Enrollment Date Portfolios are available in two-year increments to match the beneficiary’s projected enrollment date.

In its 2020 529 Landscape Report, Morningstar explained the benefits of utilizing smoother glidepaths in 529 plans’ age-based investment options. Morningstar’s research indicates that smoother glidepaths, 10 percentage points or less, reduce variability in outcomes while improving, or having no effect, on average returns.

As Treasury constantly seeks to improve PA 529, the decision was made to adopt a Target Enrollment Date Investment Option, replacing the three age-based options (conservative, moderate, and aggressive) with a single option offering more gradual changes from equity to bonds and cash as the beneficiary approaches their date of postsecondary enrollment.

Assets of those PA 529 IP account owners who were saving in one of the age-based options were transferred via a pre-determined mapping to the new Target Enrollment Date Portfolios, offered in two-year increments. The exact asset allocation (equity/bond mix) of their investment was based upon the expected date of postsecondary enrollment. The Target Enrollment Date Investment Option was added on April 23, 2021 and clear communications were sent to account owners beginning approximately 30 days prior to the change. Account owners were given the opportunity to transfer their funds to another investment option within the IP if they chose not to utilize the Target Enrollment Date option.
PA 529 GUARANTEED SAVINGS PLAN
How the PA 529 Guaranteed Savings Plan Works.

The PA 529 GSP provides a unique way to save for higher education. Growth is based on tuition inflation at one of a number of different Tuition Levels initially chosen by the account owner but ultimately determined, in most cases, by where the student attends school.

Tuition Levels

The PA 529 GSP offers five average Tuition Levels at which families may save:

- Community College Average
- State System of Higher Education Average
- State-Related University Average
- Private Four-year College Average
- Ivy League Average

Alternatively, families can save at any one of the state-funded schools – the 14 community colleges, 14 State System of Higher Education universities, or four state-related universities (University of Pittsburgh, Pennsylvania State University, Temple University, and Lincoln University).

A Tuition Level can be changed by the account owner at any time and will be automatically changed by the plan if a student attends a state-funded school that is different than the previously designated Tuition Level. Whenever a change is made, the account is recalculated as if the new Tuition Level had been in effect when prior contributions were made. Most often the recalculation will change the dollar value of the account available to pay for qualified higher education expenses.

PA 529 GSP Credit Rates

Each year the state Treasury Department sets a PA 529 Credit Rate (“GSP Credit Rate”) for each Tuition Level, which determines the number of GSP Credits attributable to a contribution. For example, if the GSP Credit Rate for a Tuition Level were $500, a contribution of $1,000 would be equal to two GSP Credits ($1,000/$500 = 2) at that Tuition Level. The GSP Credit Rate is based on the actual per credit price for the academic year set by schools comprising the Tuition Level. For most Tuition Levels, the GSP Credit Rate has been the same as the actual rate set by the school(s), but for some Tuition Levels in some years it has been higher (that is, included a “premium”). Tuition Levels for which GSP Credit Rates include or have included premiums are those with past and projected future tuition inflation that exceed the average. Given tuition inflation history and projections, premiums help ensure the fiscal soundness of the PA 529 GSP.

The Guarantee

The PA 529 GSP guarantees the growth on account contributions will be the rate tuition increases, at the appropriate school or Tuition Level, from when the contribution was made until when it is withdrawn for qualified higher education expenses, adjusted for any premiums and fees (an account’s “Tuition Inflation Growth”).

It is important to note, however, that meeting the guarantee is the obligation of the PA 529 GSP Fund. The guarantee is not backed by the full faith and credit of the Commonwealth. Because of the guarantee, the investment return, the fund actually earns on account contributions (an account’s “Market Value Returns”) is not the growth most account owners will see. Since the vast majority of accounts are used for qualified higher education expenses, they will get their Tuition Inflation Value. A small percentage of accounts are closed and are used for non-qualified purposes. Those accounts get the lesser of the Market Value or the Tuition Inflation Value, but, if that amount is less than the principal, they get the principal, minus any fees.
Actuarial Assumptions

In order to be able to meet the guarantee, the PA 529 GSP Fund’s investment returns must meet or exceed tuition inflation and program expenses over the long term. In any given year, the fund may outperform or underperform tuition inflation and expenses but, because the plan is designed to continue indefinitely, the long-term performance is most significant.

In consultation with its investment advisors and actuary, Treasury annually projects investment returns, tuition inflation, and other actuarially relevant factors – making adjustments from year to year, if warranted, based on actual experience and market factors. This year some actuarial assumptions have changed. While the investment return assumption remained unchanged at 5.50 percent net of fees, 2021 tuition inflation projections have been reduced for certain levels. The tuition inflation assumption changes are as follows:

- The University of Pittsburgh and the State-Related Average have both been reduced from 5.00 % to 4.50%
- Pennsylvania State University- Main Campus has been reduced from 5.25% to 4.75%.
- Pennsylvania State University- Branch Campuses has been reduced from 3.50% to 3.00%.
- Temple University has been reduced from 4.50% to 4.00%.

These changes have increased the funded status of the plan by 1.9%. The 2020 projection for overall tuition inflation weighted by the Tuition Level at which families were saving was 4.95 percent – again, over the long term and as an average. In 2021, the weighted overall tuition inflation assumption remained unchanged (4.95 percent).

Asset Allocations

To achieve the investment return goal of 5.5 percent net of fees, Treasury invested the PA 529 GSP assets in fixed income (including cash and cash equivalents), equities, and alternative investments. The allocation of assets as of June 30, 2021, is illustrated in the following chart.
PA 529 GSP Fund Exceeded a 100 Percent Funded Actuarial Status.

For the ninth consecutive year, the PA 529 GSP Fund was more than 100 percent funded. Based on the actuarial assumptions, as of June 30, 2021, the PA 529 GSP Fund was 143.5 percent funded, an increase of 16.2% compared to June 30, 2020 (127.3 percent funded). The actuarial status is a projection of the plan’s ability to meet the obligations that existed on June 30 as they come due in the future and assumes no new contributions are received.

A small portion of the actuarial surplus (3.85%) funds over 283,000 Keystone Scholars accounts.

The actuarial funded status has more than fully recovered since hitting a low on March 31, 2009, when it was 70.4 percent funded. Correspondingly, the projected actuarial reserve was $737 million on June 30, 2021 – improved from $462 million on June 30, 2020, and its low point of -$403.4 million on March 31, 2009.

PA 529 GSP Contributions and Assets Continue to Grow.

Gross contributions into PA 529 GSP accounts totaled $222.2 million for fiscal year 2020-21, which was 2.0 percent higher than last year’s contributions ($217.8 million). The graph below shows the gross contributions by fiscal year.

Contributions included $322,788 earned through the Upromise Rewards program. Account owners with linked Upromise accounts earn higher education savings through their everyday spending on items such as gas, dining out, and online shopping. Since 2006, PA 529 GSP accounts have earned $9.04 million through Upromise Rewards.
As of June 30, 2021, total assets equaled $2,400,777,405 – 13.1 percent higher than on June 30, 2020 ($2,123,542,814). The following graph illustrates the change in the PA 529 GSP Fund’s assets as of the end of each fiscal year since the plan’s inception.

The PA 529 GSP Remains a Successful, Lower-Risk College and Career Savings Plan.

The PA 529 GSP’s long-term investment success, actuarial status, fees, and credit pricing along with continued tuition increases mean the plan continues to be a lower-risk, but not risk-free, way to save for higher education. It is simply one of the best ways that Pennsylvania families can save for higher education.

Returns of the PA 529 GSP Fund were Positive and Growth Seen by Account Owners was Steady

The investment performance of the PA 529 GSP Fund for the fiscal year was 14.4 percent net of fees. The three-year annualized return was 8.2 percent and the five-year annualized return was 8.6 percent. The graph below shows the one-year returns since the plan’s inception.
The growth realized by most account owners is not based on the investment performance of the PA 529 GSP Fund. Rather, it is based on tuition inflation. The graph below shows the increase in actual per-credit tuition costs for the five average Tuition Levels in 2002-03 through academic year 2021-22. It also provides the annualized and cumulative tuition inflation rates.

*Tuition inflation represents the increase in actual per-credit tuition costs for the five average Tuition Levels in 2002-03 through academic year 2021-22. It also provides the annualized and cumulative tuition inflation rates.

This graph approximates the growth that account owners realize depending on when contributions were made. Their growth may be somewhat less, however, depending on whether premiums were in place for the years in which contributions were made and whether account maintenance fees were paid or deducted separately from their accounts.

Additionally, looking at payments made for qualified withdrawals over the plan’s lifetime, account owners who have used their accounts for higher education expenses achieved an average cumulative return of 40.2 percent.
PA 529 IP Contributions Surpassed All Previous Years.

Contributions into PA 529 IP accounts increased to $510.0 million in fiscal year 2020-21 compared to $434.2 million in 2019-20 – up 17.5 percent. This year’s contributions exceeded those made in any previous fiscal year. The following chart shows the gross contributions by fiscal year since 2016-17.

Contributions included $1 million earned through the Upromise Rewards program. Since 2006, contributions into PA 529 IP accounts earned through Upromise Rewards have totaled $11.05 million.
Assets in the PA 529 IP as of June 30, 2021, were $4,384,419,709 compared with $3,392,639,474 as of June 30, 2020 – a year-over-year increase of 29.2 percent. The following graph shows the annual growth in assets (net contributions and market growth) since the plan’s inception on July 17, 2002.

<table>
<thead>
<tr>
<th>Year</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003*</td>
<td>N/A</td>
</tr>
<tr>
<td>2004</td>
<td>179.7%</td>
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<tr>
<td>2005</td>
<td>68.7%</td>
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<tr>
<td>2006</td>
<td>40.1%</td>
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<tr>
<td>2007**</td>
<td>33.6%</td>
</tr>
<tr>
<td>2008</td>
<td>22.5%</td>
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<tr>
<td>2009</td>
<td>2.4%</td>
</tr>
<tr>
<td>2010</td>
<td>31.6%</td>
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<tr>
<td>2011</td>
<td>35.1%</td>
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<tr>
<td>2012</td>
<td>13.4%</td>
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<tr>
<td>2013</td>
<td>21.3%</td>
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<tr>
<td>2014</td>
<td>25.8%</td>
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<tr>
<td>2015</td>
<td>11.3%</td>
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<tr>
<td>2016</td>
<td>8.7%</td>
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<tr>
<td>2017</td>
<td>17.7%</td>
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<tr>
<td>2018</td>
<td>13.7%</td>
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<tr>
<td>2019</td>
<td>12.4%</td>
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<tr>
<td>2020</td>
<td>10.5%</td>
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<tr>
<td>2021</td>
<td>29.2%</td>
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</tbody>
</table>

**Investment management transferred to Vanguard November 2006 (Direct Plan) and April 2007 (Advisor Plan).
PA 529 IP Investments Saw Growth of Over Thirteen Percent.

Overall PA 529 IP Fund Investment Performance

This fiscal year, the PA 529 IP Fund as a whole saw investment gains of 13.6 percent. No individual account receives the returns of the PA 529 IP Fund as a whole; nonetheless, it is illustrative of how the accounts have performed collectively. The graph below shows the investment performance of the total PA 529 IP Fund since 2008.

**Annual PA 529 IP Fund Investment Returns* as of June 30**

*Weighted average of investment portfolios' returns.

Note: The Pennsylvania Target Enrollment Portfolios are not included in this chart because they were added to the Program in April 2021 and did not yet have one-year returns.
**Assets and Performance by Investment Options**

The distribution of assets among the IP’s 14 different individual static investment options has remained fairly consistent over time. The Total Stock Market Index Portfolio held the most assets – 11.3 percent – while the Total International Bond Index Portfolio holds the least at around 0.1 percent.

The percentage of assets in the Target Enrollment Date Portfolios also remained consistent with the percentage of assets held in the former age-based options. This shows that the vast majority of account owners invested in the age-based options continued through the conversion and remained in the Target Enrollment Date Portfolios.

The following chart illustrates the distribution of assets among the investment options as of June 30, 2021.

### Distribution of Assets Among PA 529 IP Investment Options as of June 30, 2021

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</table>
Returns in all of the investment options were positive. It should be noted that the Interest Accumulation, Short-Term Inflation-Protected Securities, Total Bond Market Index, and Total International Stock Index Portfolios were added to the PA 529 IP in 2016 and the Total International Bond Index was added to the PA 529 IP in 2018, as such, do not yet have five-year returns. Similarly, the Real Estate Index Portfolio was added to the PA 529 IP in 2019 and does not yet have three- or five-year returns. Finally, the Target Enrollment Date Portfolios were added in April 2021 and do not yet have one, three, or five-year returns.

Because the vast majority of the PA 529 IP Fund’s assets are invested in index funds, they have tracked their benchmarks fairly closely, but lagged slightly primarily because program fees (ranging from 0.2100% to 0.3100% as of June 30, 2021) are reflected in the plan’s portfolio returns, but not in the benchmarks.

The chart below provides the returns by investment options for one-, three-, and five-year returns, as well as the since-conversion returns. It also gives the percentage of accounts that have at least some assets in that investment option.

The total percentage of accounts exceeds 100 percent because some accounts have investments in more than one option.

### PA 529 IP Returns by Investment Options as of June 30, 2021

<table>
<thead>
<tr>
<th>Individual Options</th>
<th>% of Accounts</th>
<th>1-Year Returns</th>
<th>3-Year Returns</th>
<th>5-Year Returns</th>
<th>Returns Since Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggressive Growth Portfolio</td>
<td>16.91%</td>
<td>40.95%</td>
<td>14.88%</td>
<td>14.93%</td>
<td>8.19%</td>
</tr>
<tr>
<td>Total Stock Market Index Portfolio</td>
<td>4.09%</td>
<td>44.05%</td>
<td>18.56%</td>
<td>17.66%</td>
<td>10.10%</td>
</tr>
<tr>
<td>Growth Portfolio</td>
<td>9.08%</td>
<td>29.54%</td>
<td>12.55%</td>
<td>12.24%</td>
<td>7.42%</td>
</tr>
<tr>
<td>Moderate Growth Portfolio</td>
<td>6.46%</td>
<td>18.94%</td>
<td>10.10%</td>
<td>9.49%</td>
<td>6.67%</td>
</tr>
<tr>
<td>Social Index Portfolio</td>
<td>5.26%</td>
<td>41.70%</td>
<td>20.47%</td>
<td>19.53%</td>
<td>9.79%</td>
</tr>
<tr>
<td>Total International Stock Index Portfolio</td>
<td>4.44%</td>
<td>36.18%</td>
<td>9.43%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Interest Accumulation Portfolio</td>
<td>4.23%</td>
<td>1.69%</td>
<td>2.12%</td>
<td>-</td>
<td>1.70%</td>
</tr>
<tr>
<td>Income Portfolio</td>
<td>3.52%</td>
<td>6.93%</td>
<td>6.91%</td>
<td>5.02%</td>
<td>4.98%</td>
</tr>
<tr>
<td>Conservative Growth Portfolio</td>
<td>3.43%</td>
<td>8.88%</td>
<td>7.43%</td>
<td>6.31%</td>
<td>5.36%</td>
</tr>
<tr>
<td>Short-Term Inflation-Protected Securities Index Portfolio</td>
<td>2.70%</td>
<td>5.69%</td>
<td>3.94%</td>
<td>-</td>
<td>2.69%</td>
</tr>
<tr>
<td>Total Bond Market Index Portfolio</td>
<td>2.28%</td>
<td>-0.60%</td>
<td>5.18%</td>
<td>-</td>
<td>3.07%</td>
</tr>
<tr>
<td>Real Estate Index Portfolio</td>
<td>1.40%</td>
<td>34.25%</td>
<td>-</td>
<td>-</td>
<td>11.58%</td>
</tr>
<tr>
<td>Total International Bond Index Portfolio</td>
<td>0.45%</td>
<td>-0.09%</td>
<td>3.70%</td>
<td>-</td>
<td>3.72%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Target Enrollment Portfolios*</th>
<th>% of Accounts</th>
<th>1-Year Returns</th>
<th>3-Year Returns</th>
<th>5-Year Returns</th>
<th>Returns Since Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pennsylvania Target Enrollment 2038/2039 Portfolio</td>
<td>5.58%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2.30%</td>
</tr>
<tr>
<td>Pennsylvania Target Enrollment 2036/2037 Portfolio</td>
<td>11.18%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2.20%</td>
</tr>
<tr>
<td>Pennsylvania Target Enrollment 2034/2035 Portfolio</td>
<td>6.90%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2.10%</td>
</tr>
<tr>
<td>Pennsylvania Target Enrollment 2032/2033 Portfolio</td>
<td>7.15%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1.90%</td>
</tr>
<tr>
<td>Pennsylvania Target Enrollment 2030/2031 Portfolio</td>
<td>8.29%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1.60%</td>
</tr>
<tr>
<td>Pennsylvania Target Enrollment 2028/2029 Portfolio</td>
<td>8.28%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1.50%</td>
</tr>
<tr>
<td>Pennsylvania Target Enrollment 2026/2027 Portfolio</td>
<td>7.77%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1.20%</td>
</tr>
<tr>
<td>Pennsylvania Target Enrollment 2024/2025 Portfolio</td>
<td>7.53%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1.00%</td>
</tr>
<tr>
<td>Pennsylvania Target Enrollment 2022/2023 Portfolio</td>
<td>0.08%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.09%</td>
</tr>
<tr>
<td>Pennsylvania Target Enrollment 2020/2021 Portfolio</td>
<td>0.04%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.80%</td>
</tr>
<tr>
<td>Pennsylvania Commencement Portfolio</td>
<td>14.78%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.60%</td>
</tr>
</tbody>
</table>

*Assets in the Age-Based Portfolios were transferred to the Target Enrollment Date Portfolios on April 23, 2021.
**Assets and Investment Performance by Underlying Vanguard Funds**

Looking at the underlying Vanguard funds in which the PA 529 IP invests, the largest portion (26.3 percent) of assets were in the Total Stock Market Index, followed by the Total Bond Market II Index at 18.9 percent, with the remaining 54.8 percent distributed among the other seven funds (13.4 percent in the Total International Stock Market Index, 8.5 percent in the Vanguard Total International Bond Index, 6.1 percent in the Pennsylvania Short-Term Reserves Account, 1.9 percent in the Vanguard Short-Term Inflation-Protected Securities Portfolio, 1.6 percent in the FTSE Social Index, 0.7 percent in the Vanguard Total Bond Market Index, and 0.1 percent in the Vanguard Real Estate Index) as of June 30, 2021. See the graph below. It should be noted that all but one of the PA 529 IP’s underlying funds are Gold- or Silver-rated by Morningstar. The remaining fund, the Vanguard Short-Term Reserves Account, is not rated by Morningstar because it is not a regular 40 Act mutual fund.

The percentage shown above each bar in the next graph provides the investment performance of the underlying Vanguard mutual funds for the years shown.
PA 529 IP Assets and Investment Performance by Underlying Vanguard Mutual Funds as of June 30

*Added April 27, 2018.
**Added April 25, 2019.
Practical Results for PA 529 IP Account Owners

As with most investments, the PA 529 IP returns realized by an individual depend on the timing of the investment. The chart below illustrates the real-life impact of investing in the different PA 529 IP investment options using a $1,000 investment made over different time frames, giving the value on June 30, 2021.

*Includes assets transferred from the Prime Money Market Portfolio on September 16, 2016.
**Includes assets transferred from the Inflation-Protected Securities Portfolio on October 14, 2016.
***Added October 14, 2016.
****Added April 27, 2018
*****Added April 25, 2019.

Additionally, a look at the payments made for qualified withdrawals over the lifetime of the plan shows account owners who have used their accounts for higher education expenses, on average, achieved a cumulative return of approximately 29.2 percent.
Keystone Scholars Continues to Blaze New Trails and Jump Start Pennsylvanians' Futures.

Programmatic Background

Keystone Scholars is Pennsylvania’s statewide Child Development Account (CDA) program, administered by Pennsylvania Treasury. It provides a $100 starter deposit for higher education to every Pennsylvania child at birth. Research shows that a child with even a modest amount of higher education savings is three times more likely to continue on to a 2- or 4-year college and four times more likely to graduate. Keystone Scholars sets the expectation at birth for every child in Pennsylvania to pursue some form of postsecondary education and it encourages families to start saving on their own early. The starter deposit and its earnings can be used on qualified expenses at any type of postsecondary institution that qualifies for federal aid, both in and outside the state.

Pennsylvania Treasury administers Keystone Scholars using surplus earnings from the GSP as well as philanthropic donations and as a result, it uses no taxpayer funds.

Keystone Scholars was piloted as an opt-in program in six counties in 2018. By the end of 2019, after the one-year claim window had closed for the last eligible pilot babies of 2018, the total claim (opt-in) rate was more than 19 percent, which exceeded expectations based on the claim rate of other states in similar project stages. An external evaluation of the pilot, conducted by Dr. Robert Nathenson of the American Institute for Research, found that families in pilot counties were twice as likely to open up a PA 529 account within the first year of their newborn’s life than those in non-pilot counties. That doubling of the likelihood of 529 account opening was directly attributable to the pilot program, and held true across all races and ethnicities.

Beginning January 1, 2019, every child born to or adopted by Pennsylvania residents now receives the $100 starter deposit for higher education. As a result, Pennsylvania became the first state in the country to legislate a universal, opt-out child savings account at birth. It is also the country’s largest CDA currently in operation. The swift passage of the Keystone Scholars legislation, as well as its considerable bipartisan support, is a testament to the effectiveness of the early research and outreach that went into launching the pilot. The Keystone Scholars statute provides for implementation of all ten key CDA design elements recommended by experts and it has been held up as a model which other states have since emulated.

From the statewide program’s launch on January 1, 2019 through June 30, 2021, we created and funded accounts for approximately 284,000 babies, and have had only 37 opt-outs. As of June 30, 2021, nearly 30,000 (10.45%) families had logged onto the Keystone Scholars account site and of those, 20.57% had opened their own PA 529 accounts with $18 million in savings.

The Keystone Scholars program is going a long way to engage low-income families, who are often a challenging audience to reach. The number of PA 529 accounts opened in the first year of a child’s life by mothers enrolled in WIC who gave birth in 2019 increased 90% compared to prior to the Keystone Scholars launch. And those who opened accounts also contributed to them—at least twice on average in that year with median annual contributions of $215—more than double the $100 starter deposit.

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3 Includes babies born on or after January 1, 2019 who are adopted by PA residents.
7 Data as of June 30, 2021.
New Program Developments

This year Pennsylvania has become the first statewide CDA program to pilot an automatic targeted deposit at scale, and as a result to meet all ten statewide policy CDA design elements. The Bright Future Booster is an additional, one-time $50 deposit into the accounts of babies born between January 1 and June 30, 2021 to mothers enrolled in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) program at the time of birth. Treasury receives WIC enrollment data in the birth records it receives from the Department of Health that are used to create the Keystone Scholars accounts. Making these subsidies automatic for all babies born to mothers enrolled in WIC ensures that all eligible children receive them. The goals of this pilot are to demonstrate Treasury’s ability to offer the additional targeted deposits, to monitor their impact, and to increase outreach and build awareness of the Keystone Scholars program among low-income families. This new element of Keystone Scholars was designed to help narrow the gap between advantaged and disadvantaged children in the ability to pursue postsecondary education. In time, Pennsylvania Treasury hopes to have strong results to show from the Bright Future Booster pilot to make the case to sustainably fund an additional targeted deposit for low-income families.

Like the rest of the Keystone Scholars program, the Bright Future Booster uses no taxpayer money. It is funded through the generous support of the Neubauer Family Foundation, Henry L. Hillman Foundation, Richard King Mellon Foundation, and the Heinz Endowments.

Through the initiative of one of Pennsylvania’s local WIC agencies, Adagio Health, and the support of the Henry L. Hillman Foundation, Pennsylvania Treasury was able to build onto the Bright Future Booster program to incent WIC program retention among children in the southwestern part of the state. Adagio Health is the WIC provider in Armstrong, Beaver, Butler, Indiana, and Lawrence counties. The WIC-Keystone Scholars Milestone Program provides an additional $50 deposit into the Keystone Scholars accounts of children born throughout 2021 to mothers participating in WIC whom Adagio serves. Then, for each year the child remains enrolled in WIC until their fifth birthday, Pennsylvania Treasury will provide additional, increasing deposits into their Keystone Scholars accounts. Eligible children can receive up to an additional $425 in additional targeted deposits to their Keystone Scholars accounts if they remain eligible for the WIC program and stay enrolled in it through 5 years of age. Together with the universal $100 starter deposit, that amounts to $525 for higher education that will grow over time. The schedule of additional deposits can be found below.

Eligible children can receive up to an additional $425 in additional targeted deposits to their Keystone Scholars accounts if they remain eligible for the WIC program and stay enrolled in it through 5 years of age. Together with the universal $100 starter deposit, that amounts to $525 for higher education that will grow over time. The schedule of additional deposits can be found below.

Pennsylvania Treasury and Adagio Health are working closely to raise awareness among eligible mothers. The program is an excellent example of a partnership that equals more than the sum of its parts; it aims to strengthen the development of financially vulnerable children by promoting the array of financial, social and emotional benefits CDAs provide, while encouraging retention in WIC.

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8 The Center for Social Development’s SEED for Oklahoma Kids study has implemented an automatic targeted deposit among treatment participants. Some local level CDA programs have also experimented with such deposits.
In April of this year, Pennsylvania Treasury issued a report with the findings from a baseline survey of Keystone Scholars families and a control group, which was designed and administered by Dr. Robert Nathenson. The survey had been open for about a year and garnered over 6,000 responses. While the survey response data is not necessarily generalizable to the overall Keystone Scholars population, it provides rich insight into our Keystone Scholars families, with variation across demographic subgroups including race, ethnicity, parental education, and income level. The survey provides baseline information on respondents' savings behavior, financial capability, and expectations for their children's postsecondary education. We plan to administer a follow-up survey in 2023 to gauge changes in respondents' views, especially related to future expectations for their children.

One of the most interesting findings highlighted in the report is that 98%—nearly all—of parents surveyed believe that their child will go on to obtain a bachelor's degree. This was true across income, parental education, geography, race, and ethnicity. In particular, more than 90% of parents from each race/ethnicity expected their child to earn at least a Bachelor's degree.

The survey also found that the parental belief that it's too early to save was most consistently associated with lower parental expectations for a child's future, among all the factors examined. And having low-income was one of the strongest predictors of reporting “it’s too early to save.” This type of mindset leads to having less saved for future education, and is therefore an important factor for parental expectations and postsecondary savings, independent of a family's assets. By providing an initial $100 starter deposit, additional targeted deposits, and continued financial empowerment messaging, Keystone Scholars is promoting a change in this mindset and, in doing so, improving the future educational prospects of Pennsylvania's youngest residents.

You can read a brief summary of the report's key findings in Appendix II.

The Keystone Scholars program continues to blaze a path for the CDA field and to assist more Pennsylvania children in realizing their potential. Over 300,000 Pennsylvanian children now have a college savings account established in their name. We continue to raise awareness of the program, especially among low- and moderate-income families, and encourage all families to begin saving early.
Minimum Contributions Eliminated.

The minimum contribution requirements for both the PA 529 Guaranteed Savings Plan and the PA 529 Investment Plan were eliminated on September 30, 2021. Previously the minimum contribution amounts were $10 for both the Guaranteed Savings Plan and the Investment Plan. The elimination of a minimum contribution requirement will help make it easier for families of all income levels to begin saving for their child’s future.

PA 529 IP Fees Reduced.

Effective August 20, 2021, the fee for each investment option was reduced by 0.5 basis points (0.005%). This is a result of the reduction of the state fee for PA 529 IP account owners from 0.06% to 0.055%. The PA 529 IP fees now range from 0.2100% - 0.3100%. This latest reduction continues a multi-year record of working to reduce fees for PA 529 savers.
FINDINGS AND RECOMMENDATIONS
Findings and Recommendations.

The program’s enabling legislation requires the annual report to present findings and recommendations.

**By Virtually Any Metric, the Program Continues to Excel**

- The total number of accounts across both PA 529 plans grew to 264,972, an increase of 5.6% from last year (250,968).
- During this fiscal year, PA 529 account owners contributed $732.2 million compared to $652 million last year – an increase of 12.3%.
- Total assets across both PA 529 plans grew to $6.8 billion, an increase of 23.0% from last year ($5.52 billion).
- 31,263 students used their PA 529 accounts to pay for qualified higher education expenses this year and garnered $123.0 million in earnings. Comparatively, last year, 31,014 students used their PA 529 accounts to pay for qualified higher education expenses, with $125.0 million in earnings.
- As of June 30, 2021, there were 283,997 participants in Keystone Scholars. Approximately, 10.5% of participants have created online accounts and 20.6% of those have linked a PA 529 account of their own.

**The Commonwealth should enact legislation to ensure that PA 529 GSP withdrawals for elementary and secondary school expenses are treated appropriately**

In 2018, Congress passed federal legislation that allowed elementary and secondary school expenses to be considered qualified withdrawals from 529 plans.

The PA 529 GSP was designed to assist Pennsylvanians save and pay for postsecondary education. The plan’s structure and investment time horizons were implemented accordingly. It was never envisioned that the program would be used to pay for elementary and secondary school expenses. Nevertheless, there were 665 K-12 withdrawals made from the PA 529 GSP totaling over $3.5 million during the 2020-21 fiscal year.

While these expenses are currently permitted, the TAP Act must be amended in order to allow the PA 529 GSP to pay them in a more appropriate manner that protects the TAP Fund for all GSP participants.

**The Commonwealth should consider offering a tax credit to Pennsylvania employers for providing matching contributions to a Pennsylvania 529 plan**

The Commonwealth could incentivize employers to encourage their employees to save for higher education by offering a modest tax credit for matching contributions. The states that currently allow such tax credits, Arkansas, Colorado, Illinois, Nebraska, Nevada, Wisconsin, and Utah give employers 25 percent tax credits on matching contributions up to $500 per employee.
The positive effect that this would have on higher education savings cannot be overstated. In much the same way as matching contributions to employees’ 401(k) accounts has led to increased retirement savings, matching 529 plan contributions will inspire employees to save for higher education. Research in the area of retirement security has found that employees who have access to payroll deductions savings plans at the workplace are 15 times more likely to save for retirement than employees without workplace access. Furthermore, matches have been found to increase participation in such plans by as much as ten percentage points.

Additionally, while the PA 529 College and Career Savings Program already partners with employers across the Commonwealth to host informational sessions at employee benefit fairs and offer employees the ability to make direct deductions from their paycheck into a PA 529 account, a tax credit would persuade even more Pennsylvania employers to work with the Program to educate their employees and encourage them to save for their family members’ postsecondary educations.

The Commonwealth should consider all reasonable measures, such as this, that will make saving for higher education less burdensome for its citizens.

**While the Program Evaluates Methods to Assist PA 529 Account Owners in Saving for Higher Education, the Commonwealth Should Consider Expanding the Keystone Scholars Program**

As has been discussed elsewhere in this report, as of June 30, 2021 the GSP was 143.46% funded. This surplus already accounts for and covers the 283,997 Keystone Scholars accounts that were funded with $100 each as of June 30, 2021. Given the health of the GSP’s funding, in the coming year, we will evaluate the possibility of reducing fees, or issuing a credit or bonus to existing GSP account owners, as envisioned in the program’s enabling legislation.

At the same time, a portion of this healthy surplus could be used to make additional, targeted deposits into the Keystone Scholars accounts of low-income children. In this way, the Keystone Scholars program would make asset-building more equitable between advantaged and disadvantaged children so that all young people in Pennsylvania have an equal opportunity to reap the benefits of higher education.

Additional, targeted deposits to the Keystone Scholars program have been envisioned since the program’s beginning. The law that authorizes the Keystone Scholars program provides for additional targeted deposits to be made into Keystone Scholars accounts, but does not specify the funding stream.

This year Pennsylvania became the first statewide Child Development Account (CDA) program to demonstrate that such a targeted deposit can be provided automatically to low-income children at scale, thereby operationalizing all ten statewide CDA design elements.

The Bright Future Booster has provided an additional, one-time $50 deposit to accounts for babies born between January 1 and June 30, 2021 to mothers enrolled in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) program at the time of birth.

Treasury is able to provide these additional deposits automatically using information already transmitted in birth records from the Department of Health. Making these deposits automatic, like the initial $100, ensures that all eligible children receive them, without any action required on the part of the family.

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11 The Center for Social Development’s SEED for Oklahoma Kids research and policy experiment has implemented an automatic targeted deposit among treatment participants. Some local level CDA programs have also included such deposits.

12 Funding of the Bright Future Booster pilot was made possible through philanthropic donations from the Heinz Endowments, the Henry L. Hillman Foundation, the Richard King Mellon Foundation, and the Neubauer Family Foundation.
Along with reducing disparities, the Bright Future Booster is an important tool for building awareness of the Keystone Scholars program among low-income families and encouraging them to open and save in their own PA 529 accounts and to do so early. As a point of reference, the number of accounts opened in the first year of a child's life by mothers enrolled in WIC who gave birth in 2019 increased 90% compared to prior to the Keystone Scholars launch. Those who opened accounts also contributed to them—at least twice on average in that year with median annual contributions of $215—which is more than double the initial $100 program deposit. It follows that an additional deposit, promoted in partnership with the Department of Health's WIC program and the local WIC providers throughout the state who have been instrumental in raising awareness of the pilot Bright Future Booster, would only further this type of savings activity.

Considering the GSP’s existing surplus, the Commonwealth should amend the Keystone Scholars legislation to allow for a portion of the GSP surplus to fund additional, targeted deposits. Doing so will help ensure that all Pennsylvania children are equipped to pursue postsecondary education or training, and that the Commonwealth has a skilled workforce.

The Commonwealth should eliminate the PA 529 program’s competitive disadvantage

Pennsylvania provides a tax deduction for contributions made to any 529 program, while most other states limit such deductions to only those contributions made to their home-state programs. Thirty-five of the 42 states (and D.C.) with income taxes provide a state income tax deduction or credit for 529 contributions; 28 of those 35, limit the deduction to home-state program contributions. Pennsylvania is one of the seven states that give a tax deduction for participants in non-home-state 529 programs – and it is the only large state to do so. This puts Pennsylvania’s program at a competitive disadvantage and undoubtedly leads many Pennsylvania families to make uninformed decisions on the best way for them to save for postsecondary education. This disadvantage is evidenced by a number of factors:

- Disparity in 529 plan penetration rate. The PA 529 IP has a penetration rate of 5.11%, while similar out-of-state plans marketed nationally have a penetration rate of 7.85%.
- Loss of PA 529 contributions. Based on available data, Pennsylvanians invest over $1 billion in other states' 529 plans.
- Loss of Tax Revenue. It is estimated that Pennsylvania loses $8.5 million in tax revenue annually due to this inequity.

Many Pennsylvanians who are sending their higher education savings out of state may be unaware of the Commonwealth's 529 program benefits. Many financial advisors do not or cannot inform their clients of the Pennsylvania 529 plans because of the existing tax deduction policy. Furthermore, Pennsylvanians effectively subsidize other states' 529 programs because the savings they put into out-of-state plans help to cover the expenses of those plans. Many plans waive or reduce account fees for in-state participants, and some use revenues from their programs (generated in part from Pennsylvanians) to provide scholarships only for their own state's residents.

The current inequitable playing field disadvantages Pennsylvania’s program and, consequently, those families that are loyal to their home-state options.

Eliminating the unfair advantage that Pennsylvania currently grants to other states’ 529 plans would result in lower fees and other benefits for Pennsylvania families. We recommend that the Governor and General Assembly enact legislation that would halt the subsidization of other states’ 529 plans by offering a state tax deduction only for contributions to a PA 529 account.
The Pennsylvania 529 College and Career Savings Program

**The Commonwealth should consider allowing the Pennsylvania Department of Health to fully support the PA 529 and Keystone Scholars Programs**

Under Keystone Scholars legislation, the Pennsylvania Department of Health (DOH) shares birth information with Treasury. However, DOH does not allow Treasury to share this information with the General Assembly so that legislators can reach out to those constituents who would be best served by learning about PA 529 and Keystone Scholars.

Additionally, DOH does not currently collect email addresses on birth record forms completed by new parents. If DOH were to be able to provide email addresses of new Pennsylvania parents, Treasury would have a far more efficient and effective way of communicating with families about PA 529 and Keystone Scholars.

We recommend that the Governor and General Assembly enact legislation that would allow DOH to fully support PA 529 and Keystone Scholars by allowing Treasury to share parent information with the General Assembly and collecting email addresses on Pennsylvania birth record forms.

**The Commonwealth should increase its support of the PA 529 College and Career Savings Program**

Policy makers should consider initiatives and collaborations among Commonwealth entities and institutions to build awareness, increase utilization, and enhance the benefits of the PA 529 College and Career Savings Program.

By working together, much can be accomplished with budgetary and nonbudgetary solutions.
Stacy Garrity, Pennsylvania State Treasurer

Appendix I

NEWS RELEASE

For Immediate Release
October 27, 2021

Treasurer Garrity Announces Morningstar Silver Rating for PA 529 Investment Plan

Harrisburg, PA – Treasurer Stacy Garrity announced today that the PA 529 College and Career Savings Program Investment Plan (IP) has received a Morningstar Silver Rating for the second consecutive year. The honor comes as part of Morningstar’s review of the Top 529 Education Savings Plans of 2021, and designates the PA 529 IP as a best-in-class plan nationwide.

“This high ranking by Morningstar really shows what a valuable savings tool the PA 529 program is,” Garrity said. “I’ve spent a lot of time this year talking to families across the state, and paying for education is a big concern. I’m proud of our efforts to make sure more Pennsylvanians have access to a top-notch savings tool. Many of the great jobs in our state require specialized technical training, and PA 529 accounts can be used to help pay for that education. The result is less debt for the future workforce – and more skilled workers staying right here in Pennsylvania.”

The PA 529 IP was recognized specifically for its design and affordability. Morningstar commended Treasury’s plan for its well-constructed glide path (target enrollment portfolio) implementation and excellent plan oversight, especially during a change in administration.

PA 529 IP account owners can choose from multiple investment options, including target enrollment date portfolios. These portfolios automatically adjust asset allocations to become more conservative as a child reaches the anticipated date of enrollment.

Treasurer Garrity recently eliminated the initial deposit to open a PA 529 account, and minimum contributions are just one dollar. This gives every family the opportunity to start saving.

The PA 529 IP was upgraded to a Silver Rating in 2020, after receiving its first Morningstar Bronze Rating in 2019. Nationwide, only fourteen plans received a Silver (11) or Gold (3) Rating this year.

PA 529 accounts offer generous tax benefits, including a state income tax deduction for contributions (up to $15,000 per beneficiary per year; $30,000 for married couples), no federal or state income taxes on investment growth, tax-free withdrawals for qualified expenses, and gift and inheritance tax benefits. PA 529 account assets also have no affect on Pennsylvania state financial aid eligibility.

Savings in PA 529 accounts can be used to help pay for tuition, fees, equipment, books, room and board and other qualified higher education expenses at most schools nationwide, including community colleges, technical schools, apprenticeship programs and four-year colleges and universities.

Families of children born in 2019 or later also have a free $100 Keystone Scholars investment that is automatically started for their child at birth. Keystone Scholars accounts can be accessed online and linked to PA 529 accounts for easy access.

The PA 529 College and Career Savings Program also offers the PA 529 Guaranteed Savings Plan (GSP). The GSP is a lower-risk account where earnings are tied to college tuition inflation, so families can pay for tomorrow’s tuition at today’s prices.

PA 529 account owners currently have more than $6.8 billion invested in the PA 529 program.

To learn more or to open a PA 529 account visit pa529.com, call 800-440-4000 or email pa529@patreasury.gov.

Media contact: Samantha Galvez, Press Secretary, 717-418-0206 or sgalvez@patreasury.gov

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STACY GARRITY, STATE TREASURER

www.patreasury.gov
Keystone Scholars Families Start Out with $100 for College — and High Expectations

Belief that it’s ‘Too Early to Save’ linked to lower expectations, demonstrates importance of Pennsylvania Treasury’s Keystone Scholars Program

June 2021
Ninety-eight percent of parents expected their newborn to pursue at least a bachelor's degree in Pennsylvania Treasury's groundbreaking survey conducted alongside the launch of its child development account (CDA), Keystone Scholars. Sky high expectations were found across income, parental education, geography, race, and ethnicity. In particular, a greater share of African Americans, Latinx, and Asians expressed confidence that their child would pursue a bachelor's degree than white parents.

From May 2019 to June 2020, Pennsylvania Treasury (Treasury) sponsored a baseline survey of Keystone Scholars families and a control group, which was designed and administered by Dr. Robert Nathenson, Senior Researcher at the American Institutes for Research. The year-long survey launched just as parents of the first babies eligible for the new Keystone Scholars statewide program received letters from Treasury notifying them of their child's account.

Keystone Scholars is a universal, opt-out child development account established for every Pennsylvania child at birth and funded with a $100 starter deposit for post-secondary education. Keystone Scholars accounts can be used for qualifying expenses at vocational schools, apprenticeship programs, community colleges, and baccalaureate degree granting institutions. It is the first program of this kind to be enacted through legislation, and with approximately 135,000 births a year to Pennsylvania families, it is also the largest such program currently in operation in the U.S.

Just under 6,000 parents took the survey. Response data is not necessarily generalizable to the overall Keystone Scholars population; however, it provides important insights into Pennsylvania families with newborns, with variation across demographic subgroups including race, ethnicity, parental education, urban-rural classification, marital status, and income level. The survey provides baseline information on parents' expectations for their newborns' future education, as well as on their savings behavior, assets, and trust in financial institutions and markets. Parental expectations are of particular interest because prior research has found that CDAs positively affect parental expectations for their children's future education, which in turn benefits child development and academic performance.

Parental Expectations

We find that Pennsylvania families have remarkably high expectations for their child's educational future. Throughout the state across all race/ethnicities, incomes, marital status, and education levels, new parents typically want their child to attain more education than they had. This is especially evident for families that are less advantaged, including single parents, low-income parents, and parents of color.

\[\text{Child development accounts like Keystone Scholars positively affect parental expectations for their children's future education, which in turn benefits child development and academic performance.}\]

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1 We note that our findings are derived from families with new babies in 2018 and 2019 that chose to complete the survey. Results are therefore not necessarily generalizable to the full set of Pennsylvania households who recently had new babies. In addition, results are descriptive, not causal.

These aspirations also manifest with 98% of all parents wanting their child to pursue at least a four-year bachelor's degree. This college-bound mentality is found across all demographic groups identified in the survey, with more than nine in ten parents in each demographic group expecting their child to earn at least a four-year degree. In fact, higher proportions of African American, Latinx, and Asian parents as compared to white parents reported wanting their child to earn a bachelor's degree.

While over 90% of families across all demographic categories say their child “probably will” or say they are “very sure their child will” pursue at least a bachelor's degree, the proportion reporting “very sure” decreases from 57% in the largest metropolitan areas down to about 33% in more rural areas. Parents in rural areas retain high expectations, but express less certainty about their child's educational future. Also, as rurality increases, fewer families expect their child to earn a master’s or doctoral/professional degree.

The survey results also show that families have a strong preference for Pennsylvania's public higher education institutions. For those who stated a preference, they preferred in-state institutions to those out-of-state 91% of the time, and public institutions to private ones 83% of the time. This preference is particularly strong in rural parts of the state.

CDA programs like Keystone Scholars are designed to provide motivational and financial supports to families with the specific aim of bolstering postsecondary aspirations as children grow and in assisting families translate aspirations into attainment.

Financial Trust, Assets, and Savings Behavior

A series of financial information questions from the survey were collapsed into six indices for the purpose of analysis: (1) Financial Trust; (2) Barriers to Saving; (3) Financial Assets; (4) Limited Ability to Save; (5) Initiated Savings Behavior; and (6) Believe it is Too Early to be Saving. See the Keystone Scholars Baseline Survey Findings report for an explanation and full list of questions for each.

The survey results show that financial assets have a large and significantly positive impact on parents' expectations for their child's educational future. In addition, families that had initiated the act of saving for college had, on average, higher expectations for their child. At the same time, families earning less than $50,000 a year (compared to those earning more than $50,000 a year) and each racial/ethnic minority group (compared to white families) were often at a relative disadvantage across the financial indices, including Financial Trust, Assets (other than Asians), and Initiated Savings Behavior. That their expectations are consistently high with fewer assets is a testament to families' belief in higher education as an engine of opportunity. It is precisely why government commitment to and investment in children, as modeled through programs like Keystone Scholars, are so important to the state's future robust workforce and educated citizenry.

Our findings suggest that parents who reported it was Too Early to Start Saving often had lower expectations for the future education of their child, including education level compared to the parent and pursuit of both a two-year and a four-year degree. No other financial measure was so consistently associated with lower parental expectations, suggesting negative consequences to this specific mindset.

Investment in children, as modeled through programs like Keystone Scholars, is important to Pennsylvania's future robust workforce and educated citizenry.
Yet, of all the financial indices the survey examines, *Too Early to Start Saving* is likely the most adaptable. Rather than capturing whether a family has started saving or if it has the means to do so, it reflects their **savings mindset**. The downstream ramifications of parents who believe in putting off saving until the future may be severe. These parents will have saved fewer assets and be less able to afford the growing cost of college, which may result in self-fulfillment of their initial lower expectations. This is particularly true for low-income families, as **having a low-income was one of the strongest predictors of reporting Too Early to Start Saving**. Having or lacking an early saving mindset is therefore an important factor for parental expectations and postsecondary savings, independent of a family's assets. By providing an initial $100 starter deposit, additional targeted deposits³, and continued financial empowerment messaging, Keystone Scholars is promoting a change in this mindset and, in doing so, improving the future educational prospects of Pennsylvania’s youngest residents. For example, evidence from an evaluation of the Keystone Scholars pilot program has shown that the $100 incentive is successful in motivating Pennsylvania families to take the next step to begin actively saving for their children's future education. The evaluation found that families in pilot counties were twice as likely to open a PA 529 account in the first year of their child's life than families in non-pilot counties. The doubling of account openings among pilot families is a statistically significant finding that is attributable to receiving the $100 incentive and related outreach efforts from Treasury.⁴ Furthermore, as of June 2021, Keystone Scholars families had saved over $17 million in their own linked PA 529 accounts.

The results from the baseline survey report indicate that Pennsylvania parents of newborns have great expectations for their children's futures. The Keystone Scholars program is here to help these families realize them.

³ With funding primarily from the generous support of the Neubauer Family Foundation, the Henry L. Hillman Foundation, the Richard King Mellon Foundation, and the Heinz Endowments, Pennsylvania Treasury is providing an additional one-time targeted $50 deposit. Called the “Bright Future Booster,” the additional deposit goes into the Keystone Scholars accounts of babies born between January 1 and June 30, 2021 whose mothers are enrolled in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). Keystone Scholars is currently seeking additional funding sources to sustain the Bright Future Booster, as well as ways to establish additional targeted deposits that would increase the assets of low-income or at-risk youth.

Appendix III
Keystone Scholars Logic Model

Impact Statement: Pennsylvania students, especially those from disadvantaged socioeconomic backgrounds, successfully complete the postsecondary education of their choice without an unreasonable debt burden. Individual financial security is improved via employment and the Commonwealth has a skilled workforce.

Universal outcomes
- Children become aware of KS accounts
- Families accumulate material savings for postsecondary education
- Increase in students’ knowledge of and options for postsecondary education

Targeted outcomes
- Children develop expectations for postsecondary education
- Parents maintain high expectations for child’s future
- Additional/non-family deposits are made to accounts

Systems change outcomes
- Increase PA 529 account ownership among LMI families
- Increase percent of students enrolling in postsecondary education; esp. among first-generation students
- Increase in postsecondary completion rates

Universal activities
- Provide universal starter deposit
- Market program to general population
- Collect program data

Targeted activities
- Targeted outreach/marketing
- Create and support community accounts
- Fund for initial deposits

Systems change activities
- Increase access to opening and saving in 529 accounts (minimum contribution, waived fees based on income, translations)
- Emergency savings
- Develop and promote 529s as ideal account infrastructure for nationwide CDA policies
- Increase public awareness of CDAs

Inputs
- Program staff
- Funds for initial deposits
- Additional targeted deposits

Outputs
- Targeted outcomes
- Systems change outcomes
- Universal outcomes

Activities
- Universal activities
- Targeted activities
- Systems change activities

Outputs
- Short-term outcomes (ages 0-5)
- Intermediate outcomes (ages 6-18)
- Long-term outcomes (Postsecondary)

Universal inputs
- Universal activities
- Program data

Targeted inputs
- Targeted activities
- Program data

Systems change inputs
- Systems change activities
- Program data

Intermediate inputs
- Intermediate activities
- Program data

Long-term inputs
- Long-term activities
- Program data

Program objectives
- Increase awareness of program
- Increase participation
- Increase deposits
- Increase account balances
- Increase use of accounts

Program strategies
- Increase public awareness
- Increase participation
- Increase deposits
- Increase account balances
- Increase use of accounts

Program tactics
- Increase public awareness
- Increase participation
- Increase deposits
- Increase account balances
- Increase use of accounts
Important Updates Regarding the PA 529 Investment Plan.

This booklet contains important updates about the upcoming transition to the Target Enrollment Date Investment Option.

The PA 529 Investment Plan is Making Some Changes!

This April, the PA 529 Investment Plan (IP) will transition its three Age-Based Investment Options to one unified Target Enrollment Date Investment Option.

This brochure outlines these changes in more detail and you may call 800-440-4000 or email pa529@patreasury.gov with any questions.

What Do You Need to Do?

If you are currently invested in any of the Age-Based Options, you do not need to do anything, unless you’d like to choose a different investment portfolio. Your account will be mapped to a new Target Enrollment Date Investment Portfolio based on the current age of your beneficiary as noted in Charts 1 through 3. Please note that this automatic change will not count against your permitted twice per year asset reallocations.

Transition to The Target Enrollment Date Investment Option

When you invest in the Target Enrollment Date Investment Option, your assets are managed according to the projected enrollment date of your student and will provide an even smoother transition away from equity investments as your child prepares to start their school or program.

The PA 529 Investment Plan’s Target Enrollment Date Investment Portfolios will be available in two-year increments. Families will be able to select an asset allocation that most closely matches their beneficiary’s projected enrollment date.

NOTE: Account Owners can also change to more than a dozen individual portfolios if they elect to not invest in the Target Enrollment Date Investment Option.

See the charts on the following pages for more details on how the current Age-Based Options map to the new Enrollment Date Portfolios.
## Target Enrollment Date Investment Option At-A-Glance

### Easy To Invest
- By allowing families to invest in a portfolio based on the year their child will enroll in school, it helps take the guesswork out of investing. This new and simple one-step investment option will help reduce investor uncertainty when it comes to selecting a portfolio.

### Flexible For All Students
- The PA 529 IP Target Enrollment Date Investment Option can be used for saving for K-12 education, graduate school, or an apprenticeship. You may select from more than one Enrollment Date Portfolio within the same account for the same student.

### Smaller, More Frequent Asset Allocation Adjustments
- The Target Enrollment Date Investment Option provides more frequent rebalancing which can reduce the risk that often comes along with fewer, larger adjustments, and help keep families’ savings goals on track.

## Why Are We Changing?
Each family saving with the PA 529 IP has a different education plan, savings objective, and time horizon. Now more than ever, the age when a student starts higher education varies. The Target Enrollment Date Investment Option allows families to select a portfolio based on when they plan to use their PA 529 account.

In addition to more flexibility on the student’s age and a simpler investment selection process, this option provides more frequent and gradual shifts from equities to bonds as the target enrollment date gets closer. More frequent rebalancing typically helps investors better align with their savings goals.

## How Will These Changes Impact Your PA 529 IP Account?
Account Owners saving in an Age-Based Option will see their accounts transitioned (or mapped) to a Target Enrollment Date Portfolio as described in Charts 1 - 3.

These mappings were carefully constructed to provide a mix of stocks, bonds, and short-term reserves similar to the asset allocations in your current Age-Based Portfolio(s). **As a consequence of this, your new Target Enrollment Date Portfolio may differ from your child’s expected enrollment date.**

If you are currently invested in multiple Age-Based Options, your account may transition to multiple Enrollment Date Portfolios.

If you are not currently saving in an Age-Based Option, these automatic changes will not impact your account, but it is important that you are aware of this new investment option.

Account Owners should consider their investment strategy and overall risk tolerance when reviewing the changes. For additional assistance, please consult a qualified financial professional.

## What Other Choices Do You Have?
If you would prefer not to be invested in the Target Enrollment Date Investment Option, you may exchange your investments no later than April 22, 2021 at 4:00pm (EST) to avoid this automatic change, provided you have not already made two portfolio exchanges already in this calendar year. The PA 529 IP offers fourteen portfolios that allow you to customize and manage your investment strategy. Unlike the Target Enrollment Date Investment Option, the allocations within these static portfolios will not change over time.
Transition Timeline and Key Dates

During the Transition

During the time PA 529 implements these changes, PA 529 IP Account Owners will not be able to access their accounts online or by phone. The implementation period will be 4:00pm (EST) on April 22, 2021 through 7:00am (EST) on April 26, 2021. Account Owners that need to access their accounts around the implementation dates should contact PA 529 by 4:00pm (EST) on April 22 at 800-440-4000. More information may be found below.

Please note that during this transition, you will not be able to complete any transactions, including contributions, withdrawals, and rollovers in your PA 529 IP account.

After the Transition

Remember, you may change your future contribution allocations at any time without restriction. If you have an automatic contribution that is scheduled for Friday, April 23, 2021 through Monday, April 26, 2021 you will receive a trade date of Monday, April 26, 2021.

You may also elect to process up to two investment exchanges per calendar year for 2021. If you elect to make an investment exchange before this automatic exchange, you must do so by 4:00pm (EST) on April 22, 2021.

PA 529 Investment Plan Transition Dates

APRIL 22

Requests for all transactions, including withdrawals, contributions, or exchanges must be made in good order by 4:00pm (EST) on Thursday, April 22, 2021. Requests received in good order after 4:00pm (EST) on Thursday, April 22, 2021, will be processed on Monday, April 26, 2021, using the net asset values of Monday, April 26, 2021.

NOTE: To allow for a successful transition, Account Owners will not be able to access PA 529 IP accounts during the period of 4:00pm (EST) on April 22, 2021 until 7:00am (EST) on Monday, April 26, 2021.

During this “blackout period”, you will not be able to initiate any account transactions, either online or by phone.

APRIL 23 – APRIL 25

PA 529 will transition assets from the existing Age-Based Investment Options to the Target Enrollment Date Portfolios as described on Charts 1 through 3.

APRIL 26

PA 529 IP Account Owners may resume account transactions after 7:00am (EST) on Monday, April 26, 2021. Additionally, any recurring contributions scheduled for Friday, April 23, 2021 through Sunday, April 25, 2021, or any contributions received by mail between 4:00pm on Thursday, April 22, 2021, and Friday, April 23, 2021, will be credited using net asset values of Monday, April 26, 2021.
The Pennsylvania 529 College and Career Savings Program

Chart 1: Transition From Conservative Age-Based Investment Option

If you are currently investing in the Conservative Age-Based Investment Option, your funds will be mapped to the new Target Enrollment Date Portfolios according to the chart below.

These mappings were carefully constructed to provide a mix of stocks, bonds, and short-term reserves similar to your current asset allocations. As a consequence of this, your new Target Enrollment Date Portfolio may differ from your child’s expected enrollment date.

<table>
<thead>
<tr>
<th>Current Age-Based Option Through April 22, 2021</th>
<th>New Target Enrollment Date Portfolios Effective April 26, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age of Beneficiary</td>
<td>Age of Beneficiary</td>
</tr>
<tr>
<td>4 or Younger</td>
<td>&lt;1</td>
</tr>
<tr>
<td>5 - 6</td>
<td>1 - 2</td>
</tr>
<tr>
<td>7 - 8</td>
<td>3 - 4</td>
</tr>
<tr>
<td>9 - 10</td>
<td>5 - 6</td>
</tr>
<tr>
<td>11 - 12</td>
<td>7 - 8</td>
</tr>
<tr>
<td>13 - 14</td>
<td>9 - 10</td>
</tr>
<tr>
<td>15 - 16</td>
<td>11 - 12</td>
</tr>
<tr>
<td>17 - 18</td>
<td>13 - 14</td>
</tr>
<tr>
<td>19+</td>
<td>15 - 16</td>
</tr>
<tr>
<td></td>
<td>17 - 18</td>
</tr>
<tr>
<td></td>
<td>19+</td>
</tr>
</tbody>
</table>
Chart 2: Transition From Moderate Age-Based Investment Option

If you are currently investing in the Moderate Age-Based Investment Option, your funds will be mapped to the new Target Enrollment Date Portfolios according to the chart below. These mappings were carefully constructed to provide a mix of stocks, bonds, and short-term reserves similar to your current asset allocations. As a consequence of this, your new Target Enrollment Date Portfolio may differ from your child’s expected enrollment date.

<table>
<thead>
<tr>
<th>Current Age-Based Option Through April 22, 2021</th>
<th>New Target Enrollment Date Portfolios Effective April 26, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age of Beneficiary</strong></td>
<td><strong>Target Enrollment Date Portfolio</strong></td>
</tr>
<tr>
<td>4 or Younger</td>
<td>Aggressive Portfolio*</td>
</tr>
<tr>
<td>5 - 6</td>
<td>Growth Portfolio</td>
</tr>
<tr>
<td>7 - 8</td>
<td>Blended Growth Portfolio</td>
</tr>
<tr>
<td>9 - 10</td>
<td>Moderate Growth Portfolio</td>
</tr>
<tr>
<td>11 - 12</td>
<td>Disciplined Growth Portfolio</td>
</tr>
<tr>
<td>13 - 14</td>
<td>Conservative Growth Portfolio</td>
</tr>
<tr>
<td>15 - 16</td>
<td>Conservative Portfolio</td>
</tr>
<tr>
<td>17 - 18</td>
<td>Blended Income Portfolio</td>
</tr>
<tr>
<td>19+</td>
<td>Blended Income Portfolio</td>
</tr>
</tbody>
</table>

*Current Age-Based Option Through April 22, 2021

*New Target Enrollment Date Portfolios Effective April 26, 2021
Chart 3: Transition From Aggressive Age-Based Investment Option

If you are currently investing in the Aggressive Age-Based Investment Option, your funds will be mapped to the new Target Enrollment Date Portfolios according to the chart below.

These mappings were carefully constructed to provide a mix of stocks, bonds, and short-term reserves similar to your current asset allocations. As a consequence of this, your new Target Enrollment Date Portfolio may differ from your child’s expected enrollment date.
### Chart 4: Target Enrollment Date Portfolios Underlying Fund Holdings

<table>
<thead>
<tr>
<th>New Target Enrollment Date Portfolios Effective April 26, 2021</th>
<th>Stocks</th>
<th>Bonds</th>
<th>Short-Term Reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Target Enrollment Date</strong></td>
<td><strong>Vanguard Institutional Total Stock Market Index Fund</strong></td>
<td><strong>Vanguard Total International Stock Market Index Fund</strong></td>
<td><strong>Vanguard Total Bond Market II Index Fund</strong></td>
</tr>
<tr>
<td><strong>Target Enrollment Date 2038/2039</strong></td>
<td>57.00%</td>
<td>38.00%</td>
<td>3.50%</td>
</tr>
<tr>
<td><strong>Target Enrollment Date 2036/2037</strong></td>
<td>54.60%</td>
<td>36.40%</td>
<td>6.30%</td>
</tr>
<tr>
<td><strong>Target Enrollment Date 2034/2035</strong></td>
<td>49.80%</td>
<td>33.20%</td>
<td>11.90%</td>
</tr>
<tr>
<td><strong>Target Enrollment Date 2032/2033</strong></td>
<td>42.60%</td>
<td>28.40%</td>
<td>20.30%</td>
</tr>
<tr>
<td><strong>Target Enrollment Date 2030/2031</strong></td>
<td>35.40%</td>
<td>23.60%</td>
<td>28.70%</td>
</tr>
<tr>
<td><strong>Target Enrollment Date 2028/2029</strong></td>
<td>30.60%</td>
<td>20.40%</td>
<td>34.30%</td>
</tr>
<tr>
<td><strong>Target Enrollment Date 2026/2027</strong></td>
<td>22.96%</td>
<td>15.31%</td>
<td>38.50%</td>
</tr>
<tr>
<td><strong>Target Enrollment Date 2024/2025</strong></td>
<td>15.36%</td>
<td>10.24%</td>
<td>38.08%</td>
</tr>
<tr>
<td><strong>Target Enrollment Date 2022/2023</strong></td>
<td>11.60%</td>
<td>7.73%</td>
<td>33.11%</td>
</tr>
<tr>
<td><strong>Target Enrollment Date 2020/2021</strong></td>
<td>9.28%</td>
<td>6.19%</td>
<td>26.53%</td>
</tr>
<tr>
<td><strong>Commencement Portfolio</strong></td>
<td>6.96%</td>
<td>4.64%</td>
<td>19.88%</td>
</tr>
</tbody>
</table>

*What is the Commencement Portfolio?*
The Commencement Portfolio is designed for investors who are withdrawing for qualified education expenses. The portfolio aligns with a low-risk preference, while including a small allocation to equities as a hedge against inflation. This portfolio’s allocation to stocks and bonds is the allocation that all Target Enrollment Portfolios are expected to assume within 4 years after their designated enrollment year.

### STILL HAVE QUESTIONS?
Please call the PA 529 College and Career Savings Program at **800-440-4000** or visit **pa529.com** to learn more. You are receiving this update by mail based on your current account settings. You can lower your annual fees with e-delivery. Set up online access to your account today!

None of the Portfolios, including the Conservative Income Portfolio's and Interest Accumulation Portfolio's investments in the Vanguard Short-Term Reserves Account, are insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. For more information about the PA 529 IP, call 800-440-4000 or visit pa529.com to obtain a Disclosure Statement. Investment objectives, risks, charges, expenses and other important information are included in the Disclosure Statement; read and consider it carefully before investing.

Before you invest, consider whether your or the beneficiary's home state offers any state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in that state's qualified tuition program.

The PA 529 IP is sponsored by the Commonwealth of Pennsylvania and administered by the Pennsylvania Treasury Department. Ascensus College Savings Recordkeeping Services, LLC, serves as Program Recordkeeping and Servicing Agent. The Vanguard Group, Inc., serves as Investment Manager for the Investment Plan. The Investment Plan’s Portfolios, although they invest in mutual funds, are not mutual funds.

Investment returns are not guaranteed, and you could lose money by investing in the PA 529 IP. Account Owners assume all investment risks, including the potential for loss of principal, as well as responsibility for any federal and state tax consequences.

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March 2021
For Immediate Release
October 13, 2021

Treasurer Garrity Eliminates Minimum Deposit to Open a PA 529 Account
Families can contribute any amount after opening an account

Harrisburg, PA – Treasurer Stacy Garrity today announced that the minimum contribution to open a PA 529 College and Career Savings Program account has been completely eliminated.

“My goal is to make PA 529 accounts available to everyone in Pennsylvania who wants one,” Garrity said. “Allowing families to open a PA 529 account with no deposit will give everyone the opportunity to start saving for education.”

Once a PA 529 account is opened, future contributions can now be any amount – as little as $1. This reduction marks the second time since July 2020 that the amount has been reduced and is 90 percent less than the previous $10 minimum.

“Today, more than ever, education doesn’t necessarily mean a four-year degree, and PA 529 plans are here to help no matter which path a child takes,” Garrity said. “PA 529s can help pay for community colleges, technical schools, or apprenticeship programs around the corner or across the country. Every dollar saved today is one less that must be borrowed tomorrow, meaning less student debt for future generations entering the workforce.”

Contributions can be made to PA 529 accounts online via electronic bank transfer, through the mail by check or money order, or by setting up a simple automatic contribution from a bank or paycheck.

Saving with PA 529 offers account owners generous tax benefits and the flexibility to choose the plan that works best for their budget and will help achieve their unique education goals. Assets saved in PA 529 accounts have no impact on Pennsylvania state financial aid eligibility.

PA 529 accounts can be used to pay for more than just tuition, including fees, equipment, books, room and board, and other qualified higher education expenses.

PA 529 account owners can choose to save with the PA 529 Investment Plan (IP) or the PA 529 Guaranteed Savings Plan (GSP). The PA 529 IP lets account owners choose from various investment options, including target enrollment date portfolios that rebalance investment asset allocations automatically as a beneficiary approaches their anticipated enrollment date. The PA 529 IP earned a Silver Rating from Morningstar, making it a best-in-class plan. The PA 529 GSP is a lower-risk plan where returns are tied to college tuition inflation, helping families save at today's tuition rates to cover future expenses.

Both plans offer the same tax advantages including a Pennsylvania state income tax deduction, no taxes paid annually on earnings, no income tax paid on growth when used for qualified expenses, as well as gift and Pennsylvania inheritance tax benefits.

To learn more visit pa529.com, email pa529@patreasury.gov or call 800-440-4000.

Media contact: Samantha Galvez, Press Secretary, 717-418-0206 or sgalvez@patreasury.gov

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STACY GARRITY, STATE TREASURER
www.patreasury.gov
For Immediate Release
August 18, 2021

Treasurer Stacy Garrity Announces Fee Reduction for PA 529 IP Account Owners

Harrisburg, PA – Treasurer Stacy Garrity today announced a fee reduction for PA 529 College and Career Savings Program Investment Plan (IP) account owners. This reduction will result in a combined savings of nearly $220,000 across all PA 529 IP accounts this year alone.

“I’m pleased to lower fees for families who are saving for their child's future,” Garrity said. “We’re committed to constantly reviewing the fees in Treasury’s savings programs, cutting them whenever that can be done in a fiscally prudent way. Pennsylvania’s 529 program had its best year ever during fiscal year 2020-21, and keeping our fees low helps families save as much as possible for their child's education.”

Treasurer Garrity approved the reduction of the state fee for PA 529 IP account owners from 0.06% to 0.055%, effective August 20, 2021. IP account owners pay total fees ranging from .21% to .31% annually depending on their investment choices. When compared with similar programs in other states, the PA 529 IP has some of the lowest fees. The IP also has a Morningstar Silver Rating™, making it one of just 14 plans nationwide to earn a Silver or Gold rating.

Families can also choose to save with the PA 529 Guaranteed Savings Plan, which is a lower-risk plan that lets families pay tomorrow’s tuition prices at today’s rates.

PA 529 accounts – which offer investment options specifically geared to the objective of saving for education – provide generous tax advantages, including a state income tax deduction on contributions and no tax paid on contributions or earnings when funds are used for qualified expenses. PA 529 account assets don’t count against a student when determining Pennsylvania financial aid eligibility.

Families have been saving for higher education with PA 529 accounts for nearly three decades. Over the life of the program, plans have paid out $4.56 billion in education expenses. Qualified expenses for PA 529 accounts include tuition, fees, equipment, room and board and other costs associated with postsecondary education at most institutions nationwide, including community colleges, technical schools, apprenticeship programs and four-year colleges and universities.

“PA 529s are for more than just a four-year degree,” said Garrity. “Pennsylvania needs skilled workers, and PA 529 accounts are a perfect tool to help families save for the training their child will need to gain critical skills to enter the workforce.”

To learn more about saving with PA 529 plans, visit pa529.com or call 800-440-4000

Media contact: Samantha Galvez, Press Secretary, 717-418-0206 or sgalvez@patreasury.gov

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STACY GARRITY, STATE TREASURER
www.patreasury.gov
The Pennsylvania 529 College and Career Savings Program sponsors three plans – the PA 529 Guaranteed Savings Plan (GSP), the PA 529 Investment Plan (IP), and Keystone Scholars. The guarantee of the PA 529 Guaranteed Savings Plan is an obligation of the GSP Fund, not the Commonwealth of Pennsylvania or any state agency. Before investing in either PA 529 plan, please carefully read that plan's disclosure statement (available at www.pa529.com or by calling 1-800-440-4000) to learn more about that plan, including investment objectives, risks, fees, and tax implications. Before you invest, consider whether your or the beneficiary's home state offers any state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in that state's qualified tuition program.