
MARCH 14, 2013

**AGENDA ITEM 3
ACTION ITEM**

SCHOLARSHARE INVESTMENT BOARD

Resolution to Approve Increase in the Maximum Account Balance Limit for the ScholarShare Plan

Recommendation

AKF Consulting Group (AKF) and ScholarShare Investment Board (SIB or Board) staff recommend the Board adopt Resolution No. 2013-01 approving the increase in the ScholarShare maximum account balance limit from \$350,000 to \$371,000 per beneficiary.

Background

Internal Revenue Code Section 529 requires all qualified tuition plans to set adequate safeguards to prevent contributions in excess of those necessary to meet a beneficiary's expected qualified higher education expenses.

The current maximum account balance limit for the ScholarShare College Savings Plan (Plan) is \$350,000 and was approved by the Board in September 2010. AKF, the Board's 529 industry consultant, provided a memo that reviewed the costs for attending various institutions both in California and out-of-state and recommended that the Board approve an increase to the current maximum account balance limit. Following proposed Section 529 Treasury Regulations issued in 1998, several private letter rulings released by the Treasury allowed qualified tuition programs to base maximum contribution limits on seven years of expenses for undergraduate and graduate studies. This limit was based upon a methodology of the cost of seven years of expenses for undergraduate and graduate studies.

At the December 13, 2012 SIB meeting, Board action was not taken on the resolution to approve changes to the maximum account balance limit and the agenda item was postponed until the March 2013 meeting. Based on the information and recommendation from AKF, SIB staff recommends that the maximum account balance limit for the Plan be increased from \$350,000 to \$371,000 per beneficiary.

Presenters

Andrea Feirstein, Managing Member, AKF Consulting Group
Arlene Greene, Deputy Director, ScholarShare Investment Board

RESOLUTION NO. 2013-01

**RESOLUTION OF THE SCHOLARSHARE INVESTMENT BOARD
RELATING TO THE APPROVAL OF INCREASE IN THE
MAXIMUM ACCOUNT BALANCE LIMIT FOR THE
GOLDEN STATE SCHOLARSHARE COLLEGE SAVINGS TRUST**

WHEREAS, the ScholarShare Investment Board (the “Board”) was created under the provisions of Article 19 of the California Education Code commencing with Section 69980 (the “Golden State ScholarShare Trust Act” or “Act”); and

WHEREAS, Internal Revenue Code section 529 requires all qualified tuition plans to set adequate safeguards to prevent contributions in excess of those necessary to meet a beneficiary’s expected qualified higher education expenses; and

WHEREAS, Section 69982(i) of the Act provides that the Board shall have the powers and authority to set minimum and maximum investment levels; and

WHEREAS, the current maximum account balance limit (the “Limit”) for the Golden State ScholarShare College Savings Trust (“ScholarShare”) was set at \$350,000 by the Board in September 2010; and

WHEREAS, the Board’s 529 industry consultant has reviewed the cost of qualified higher education expenses using a methodology based on seven years of expenses for undergraduate and graduate studies, and recommends an increase in the Limit from \$350,000 to \$371,000 per beneficiary.

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby approves the change in the Limit from \$350,000 to \$371,000 per beneficiary.

Attest: _____
Chairperson

Date of Adoption: _____