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Oregon 529 participants will pay less and enjoy expanded options including ‘principal protected’ fund

Oregon 529 College Savings Board endorses new funds as part of TIAA-CREF transition

TIGARD – Oregon families will get a better college savings plan, and will pay less for it.

Following three months of analysis and research, the Oregon 529 College Savings Board on Thursday unanimously endorsed a transition plan and new lineup of mutual fund options in the Oregon College Savings Plan that will give families more options such as a principal-protected fund and more low-cost index funds.

In addition, families will enjoy lower overall fees, compared to the current levels. The costs are also the lowest of the six companies that bid earlier this year to manage the program.

The menu of options maintains popular and convenient “age-based” portfolios, which automatically adjust the asset mix of each investor, based on the age of the child.

The revised plan also will offer highly rated standalone index funds such as the TIAA-CREF Equity Index and Vanguard Total International Stock Index; new actively managed portfolios for international equity and fixed income investors; and choices that will appeal to risk-averse investors such as a new “principal plus interest” fund. Participants also will be able to choose a new “social choice” fund option.

“I believe our new lineup puts Oregon’s plan among the best in the country and will serve our families very well,” said State Treasurer Ben Westlund, the chairman of the Oregon 529 College Savings Board. “Saving for college is more important than ever, and families can invest with confidence and lower fees in the Oregon College Savings Plan.”

Families will shift seamlessly and without cost to the new fund lineup when the transition occurs in the first quarter of 2010 from the current program manager, OppenheimerFunds Inc., to the new manager, TIAA-CREF Tuition Financing Inc.

Plan participants will be kept apprised of the pending changes and timetable. According to the transition plan, their assets will automatically shift into similar funds in the new lineup. Investors also will be able to revise their personal portfolio mix.

The contract with OppenheimerFunds expires at the end of the year and the company did not submit a bid to continue as program manager. In July, the Oregon 529 College Savings Board unanimously selected TIAA-CREF as the new administrator based on a proposal that included low fees and the flexibility to offer the best funds across the universe of investments. TIAA-CREF is the administrator of college savings plans in eight other states.

The Oregon College Savings Plan is the option in the Oregon 529 College Savings Network that is made available directly to the public, and as of June 30 it had 52,889 accounts that totaled \$465.5 million.

The proposed lineup of underlying funds in the portfolio is not necessarily permanent. Staff and consultants will conduct “ongoing due diligence” of all of the selected funds, said Michael Parker, executive director of the Oregon 529 College Savings Network.

“This blueprint is the result of a lot of hard work, and will build Oregonians a strong lineup of funds and investment choices,” said Scott Sandbo, a member of the Oregon 529 College Savings Board and the chief executive officer of Portland-based Pacific Crest Securities.

Also Thursday, the Board received a report on the financial performance of the Oregon 529 College Savings Network, which includes the Oregon College Savings Plan and a separate option that is provided through investment brokers.

The combined value of accounts in the entire network grew by more than \$110 million, from \$869.6 million to \$981.1 million, in the third quarter of this year. There are 119,026 accounts in the network, and the system has added roughly 3,000 in 2009.

The Board also heard an update in executive session from the Oregon Attorney General’s Office about negotiations connected to litigation filed by the Board against OppenheimerFunds for mismanagement of an underlying fund that was previously in the Oregon College Savings Plan portfolio.

The Oregon 529 College Savings Network allows families to invest for college and receive Oregon tax deduction of as much as \$4,170 in 2009, and that figure increases to account for inflation. The investment and any gains can then be used tax-free for higher education expenses.

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