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Oregon college savers will receive settlement in March, improved plan to debut

Oregon College Savings Plan allows families to save for education and get tax benefits

TIGARD – March will be a notable month for Oregon families who are doing the right thing and saving for college and job training in the Oregon College Savings Plan, as a result of decisions Thursday by the Oregon 529 College Savings Board.

First, college savers will receive their shares of a \$20 million legal settlement to reimburse for losses due to the management of the OppenheimerFunds Core Bond Fund, which was previously part of the plan portfolio.

The landmark settlement resolved a lawsuit that was filed by the Oregon 529 College Savings Board on behalf of plan participants. The settlement will be shared by an estimated 45,000 families, and was announced in November by State Treasurer Ben Westlund, the college savings board chairman, and Attorney General John Kroger.

Also in March, an improved college savings network will debut with an expanded fund lineup, a better website and lower fees for families, when New York-based TIAA-CREF Tuition Financing Inc. assumes the administration of the direct-sold Oregon plan.

“We have protected Oregon families and built a stronger college savings program,” said Treasurer Westlund. “Now more than ever, saving for college and job training is a great idea, and the Oregon College Savings Network will continue to help families invest for a better future. You can get there, and we can help.”

The Oregon 529 College Savings Board on Thursday formally approved new administrative rules, contracts, the revised fund structure for the Oregon 529 College Savings Network, and the payment schedule for the Core Bond Fund settlement.

The state's lawsuit alleged that OppenheimerFunds made risky investments in a fund that was supposed to be conservative, and as a result exposed Oregon families to big losses in 2008. Investors in conservative portfolios were most likely to have children in college or on the cusp of college.

The lawsuit did not address general losses in 2008 that were a result of poor market performance. Roughly half of the investors in the Oregon College Savings Plan had losses attributable to the fund.

Affected families will be notified by mail about their share of the settlement. If investors have active Oregon 529 accounts, the money will be automatically credited in March. Starting in March, investors who no longer have accounts will receive checks by mail.

When the new fund lineup debuts in March, college savers will be able to select new lower-risk options including a new "principal protection" fund and inflation-protected bonds.

Also Thursday, the Board approved new procedures for monitoring funds, including a "watch list" provision for poor-performers, and ratified contracts for the management of Oregon 529 accounts. Among the provisions in those contracts, companies will need to provide documentation of annual audits.

The board also received a report about the performance of investments in the Oregon 529 College Savings Network during the 2009 market rebound. Combined assets in the fund exceeded \$1 billion at the end of December. That's up from roughly \$743 million in March.

The Oregon 529 College Savings Network gives families the option to invest through brokers -- who offer funds through MFS Investment Management -- or to invest on their own through the Oregon College Savings Plan, which will be administered by TIAA-CREF.

The network allows families to invest for college and job training and qualify for tax benefits, including an Oregon income tax deduction for as much as \$4,170 saved in 2010. In addition, investment gains can be withdrawn with no federal or state taxes, if used for qualified education expenses.

Treasurer Westlund notes that investments can lose value, and families should weigh all options and risks before investing.

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