MINUTES OF THE
OREGON 529 COLLEGE SAVINGS BOARD
MEETING OF February 19, 2015

Members Present:	Peter Angstadt Darren Bond Jennifer Cooperman
Network Staff:	Michael Parker, Executive Director Stephanie Swetland, College Savings Specialist Keith Kutler, Legal Counsel
Treasury Staff:	Paola Nealon, Investment Officer
Others Present:	Kerry Alexander, TIAA-CREF David Connelly, MFS Investment Management Tim Findlay, TGF Productions, Inc. Ryan Harvey, Sellwood Consulting Kathy Griffin, TIAA-CREF Kevin Raymond, Sellwood Consulting Colleen Rooney, MFS Investment Management Jeremy Thiessen, TIAA-CREF

The meeting was called to order at 1:02 p.m. by Chair Jennifer Cooperman.

Board Member Darren Bond moved to approve the November 20, 2014 minutes, seconded by Board Member Peter Angstadt. All approved.

Executive Director Michael Parker informed the Board of pending legislation affecting the Oregon 529 College Savings Network (Network). The first bill is tax legislation that would increase the state tax deduction from a per return deduction to a per beneficiary deduction. A state tax credit would also be allowed for anyone in Oregon earning less than $70,000 household income. Lastly, if a person has a 529 plan and would qualify for the Oregon Opportunity Grant, the 529 funds wouldn't count against them in the calculation determining eligibility for the Opportunity Grant. The second bill is in relation to the federal Achieving a Better Life Experience Act (ABLE Act) legislation that passed in late 2014, which is basically a 529 plan for disabled individuals. It allows for disabled individuals to save and still maintain their Social Security and Medicaid benefits. Congress set it up where the state has to hook into the federal code, very much like with the current 529 plan. The legislation calls for the 529 Board and Network to manage the ABLE program. The ABLE bill has been drafted and will be making its way through the state legislature.

Sellwood Asset Allocation & Glidepath Recommendation

Ryan Harvey of Sellwood Consulting (Sellwood) explained the proposed changes to the age-based glidepath and the risk-based and diversified portfolios. Sellwood's Asset Allocation Review is part of the Network's records for this Board meeting. Mr. Harvey noted that the glidepath allocation is being customized to the actual participant experience in the Oregon College Savings Plan, using actual plan and participant data. The proposed changes include more equity in the glidepath, particularly at the early ages, more consistent internal allocations within the equity categories, returning to having as many passive funds as possible and better aligning the fixed income duration to participant age. Expected returns are higher in each step of the proposed glidepath, and fees will also be reduced. Risk in relation to historical returns was discussed.

Sellwood recommended that the policy of aligning the risk-based allocation portfolios to the same individual steps along the glidepath be retained, meaning that the risk-based portfolio allocations would change to mirror the corresponding changes in the glidepath.

It was recommended that the DFA Commodity Strategy Fund replace the Credit Suisse Commodity Return Fund & Voya Senior Loans Fund in the Age-Based Portfolio glidepath age bands. The DFA fund is also recommended to replace the Credit Suisse fund in the Diversified Inflation Protection Portfolio. The DFA fund is less than half the cost of the current Credit Suisse fund and tracks the same index, with a history of out-performing the benchmark and most of its peers.

Sellwood's final fund recommendation was in relation to the Diversified International Equity Portfolio. After evaluating seven replacement managers, it was determined that The American Beacon International Equity Fund was the best fit to replace Thornburg and combine with the existing TIAA-CREF Emerging Markets Equity Index Fund in the portfolio.

Member Darren Bond moved to approve all recommendations on master page 26 of the February 19, 2015 Board book, seconded by Member Angstadt. All approved.

Sellwood Quarterly Review

Mr. Harvey presented the fourth quarter Investment Performance Report, a copy of which is part of the Network's records for this meeting. Mr. Harvey noted that 2014 was not a great year for diversification, since Large Cap U.S. stocks and U.S. bonds outperformed just about everything else. S & P 500 Large Cap stocks were up almost 14% and Small Cap stocks underperformed at 5%, due to coming into the year with a much richer valuation than Large Cap stocks. Although international stocks show as negative performers for the year, they actually performed at 11% internationally, and their loss in U.S. markets is due to the rise of the U.S. dollar. Mr. Harvey provided an overview of what occurred in the market during 2014.

Mr. Harvey noted the plan composition in terms of inflows versus earnings, the market value of the individual portfolios and the investment allocations across those portfolios in both the Oregon College Savings Plan (OCSP) and the MFS 529 Savings Plan (MFS Plan). He also discussed how individual portfolios performed in each plan, describing how market conditions influenced performance.

Plan Manager Quarterly Reviews

Dave Connelly of MFS spoke about the slight underperformance in 2014 of the age-based asset allocation funds, which account for more than 85% of the investments of MFS account owners. A lot of diversification is built into the broad asset classes of the funds, including global diversification, with each fund investing in 14-21 underlying funds. Based on the fact that the 2014 market was U.S. centered and certain sectors of the market didn't perform well, some of the diversification brought the overall performance of the funds down. Since annual returns of specific asset classes are very unpredictable, the more diversified approach taken by MFS is aimed at lowering volatility and has proven beneficial over time.

Mr. Connelly informed the Board that the Lifetime Income Fund was introduced in January, 2015 as a new age band in the Age-Based investment Option. The age band for 15-18-year-olds had been the Conservative Allocation Fund, which has about 40% of equity exposure. The 15-18 age band was split out into two bands: 1) 15-16, which is still the Conservative Allocation Fund, and 2) 17-18, which is now the Lifetime Income Fund and has a little over 20% of equity exposure. At college age, the investment moves into an all fixed income portfolio.

Colleen Rooney of MFS presented the MFS fourth quarter report, a copy of which is a part of the Network's records for this Board meeting. Ms. Rooney highlighted assets, contributions and distributions for the quarter, as well as rollover contributions and distributions. She explained that the wide swing from the previous quarter of some of the numbers on the county charts was due to the fact that updated zip code information had been used. Unique owner/beneficiary accounts are pretty much split between Oregon accounts and out-of-state accounts, and there were a total of 74,604 unique accounts at the close of 2014.

Kerry Alexander of TFI presented the OCSP fourth quarter report, a copy of which is part of the Network's records for this Board meeting. Mr. Alexander noted that the OCSP ended 2014 with assets of $1.1 billion, a 3% increase from the third quarter and a 14.1% increase from the 2013 fourth quarter. Unique owner/beneficiary accounts are at 80,121, a 9% increase from the same time last year. Mr. Alexander noted that outbound rollovers is very low at 7%, compared to some states with twice that number. Qualified withdrawals are very healthy at 85%. Mr. Alexander explained account owner rebalance activity between the portfolios and highlighted call center and website activity, as well as account owner and beneficiary statistics and demographics.

The meeting was adjourned at 3:20 p.m.