

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

Members Present: Peter Angstadt
Darren Bond
Jennifer Cooperman

Network Staff: Michael Parker, Executive Director
David Bell, Outreach Director
John Valley, Outreach Director
Stephanie Swetland, College Savings Specialist
Lynn Nagasako, Legal Counsel

Treasury Staff: Karl Chang, Investment Officer
James Sinks, Communications Director

Others Present: Kerry Alexander, TIAA-CREF
John Borden, Legislative Fiscal Officer
David Connely, MFS Investment Management
Tim Findlay, TGF Productions, Inc.
Glenn Friedman, TIAA-CREF
Kathy Griffin, TIAA-CREF
Ryan Harvey, Sellwood Consulting
Anthony Poto, MFS Investment Management
Kevin Raymond, Sellwood Consulting
Colleen Rooney, MFS Investment Management
Jeremy Thiessen, TIAA-CREF

The meeting was called to order at 1:30 p.m. by Chair Jennifer Cooperman.

Board Member Peter Angstadt moved to approve the September 17, 2015 minutes, seconded by Board Member Darren Bond. All approved.

Executive Director Michael Parker informed the Board that he's been spending a lot of time working on implementation of the ABLE plan. TIAA-CREF (TFI) recently informed Mr. Parker that they are willing to discuss terms of possibly managing the ABLE plan. The ABLE plans are being viewed very cautiously by 529 program managers in the country, with two of the largest managers stating that they will not be entering the ABLE market and no others stepping forward to offer their services. David Bell, the Network's new Outreach Director who will work primarily with the ABLE plan, was introduced.

Mr. Parker discussed the Morningstar ratings, which came out in October, 2015. Morningstar likes the MFS product, and it maintained its bronze rating. Plans are rated on a five-pillar system: process, performance, people, parent and price. The only negative rating that MFS got was on price. Ryan Harvey of Sellwood Consulting (Sellwood) and Mr. Parker went to Chicago and met with Morningstar in hopes of educating them about positive changes to the Oregon College Savings Plan (OCSP). However, the OCSP still received a neutral rating. Mr. Parker and Mr. Harvey are committed to providing Morningstar with the information necessary to get an upgrade in the future. The Morningstar ratings system was discussed at length.

Mr. Parker informed the Board that Oregon's ABLE legislation calls for a new Board Member from the disability community which will be related to the ABLE plan. Two prospective members are being vetted by the Treasurer's Executive Office, and Mr. Parker is confident that whoever is chosen will be appointed

by the February, 2015 Board meeting. Board Member Larry Large has also retired, so a new member will also be appointed for his position.

Outreach Director John Valley provided the Board with a summary of the 2015 pilot year of the Be College Ready program. He discussed lessons learned and parts of the program that were particularly effective, and stated that next year's program will reflect changes and additions that are believed will enhance it.

The next topic of discussion was the Board's Investment Policy Statement, a copy of which is included in the Network's records for this meeting. Mr. Harvey of Sellwood stated that the changes were designed to streamline the Investment Policy Statement, make some of the descriptions of the granular lineups in the two plans a little more generic so that the policy statement doesn't need to be updated every time an underlying fund is changed, and to make it easy to incorporate the ABLE plan into the policy statement when that plan goes into effect. Mr. Harvey explained the individual changes to the Board.

Mr. Bond stated that under the roles and responsibilities of the Board (page 5 of the policy), two of the reserved powers of the Board are investment portfolio construction and deletion and underlying investment selection and termination. Mr. Bond questions whether the Board has the time and acumen to adequately do that and to second guess the staff and consultants relative to that. Mr. Bond explained that the current process involves the Network Director, Treasury investment staff, Sellwood Consulting and the Program Manager teams working together to determine which selections are best for the plans. He doesn't know that the Board should spend time questioning their recommendations. Chair Cooperman was nervous about delegating too much of the Board's fiduciary responsibility. Mr. Bond agreed, yet feels that there are times when the Board isn't equipped to say yes or no, which isn't a problem because it's well within the Board's fiduciary role to be able to delegate explicit responsibility to staff. The Board's responsibility is to hold staff, consultants and program managers accountable to carrying out the policy defined by the Board. After further discussion, Mr. Bond suggested requesting the advice of counsel on the issue, to which the other Board members agreed.

Mr. Angstadt moved to approve the changes to the Investment Policy Statement as outlined, seconded by Mr. Bond. All approved.

Mr. Harvey and Mr. Raymond of Sellwood explained the proposed changes to the MFS plan. They are as follows:

Adjust the glide path by one year, terminating at the Limited Maturity Fund at age 18 versus age 19

Add the Blended Research Small Cap Fund as a new standalone investment option

Remove the New Discovery Fund and map assets to the Blended Research Small Cap Fund, after the Blended Research Small Cap Fund reaches sufficient assets that the plan's allocation would not exceed 10% of fund assets

Remove the International Diversification Fund and map assets to the Research International Fund

Mr. Bond moved to approve the Summary of Recommendations for the MFS investment changes on page 153 of the Board Book, seconded by Mr. Angstadt. All approved.

Jeremy Thiessen of TFI explained the process that went into the asset allocation review of the OCSP. A copy of the TFI Asset Allocation Recommendation is a part of the Network's records for this Board meeting. There are no changes recommended at this time.

Mr. Harvey of Sellwood presented the Investment Performance Report for the third quarter, a copy of which is part of the Network's records for this Board meeting. The third quarter was rough on the markets

due to China's economy, causing substantial declines in worldwide equity markets. Bonds had marginally positive returns year-to-date, and all other markets performed negatively. Although it's been a disappointing period for international markets, this has been mostly currency-related, not the markets themselves. The performance in both the OCSP and MFS plan was as expected, with no big surprises. Mr. Harvey spoke to the performance of some of the individual funds/portfolios in both plans.

Colleen Rooney of MFS presented the MFS quarterly report, a copy of which is part of the Network's records for this meeting. Ms. Rooney noted that there were 77,050 accounts in the MFS plan, with nearly half of them being Oregon accounts. The account growth is about a 5% increase over the same period in 2014. Ms. Rooney also discussed assets, contributions, distributions and rollover contributions and distributions for the quarter. Total sales for the quarter were just over \$25 million.

Kerry Alexander of TFI presented the TFI quarterly report, a copy of which is part of the Network's records for this meeting. Mr. Alexander noted that the plan had experienced a tremendous number of redemptions, but that 93% of them were for college expenses. Assets increased to \$1.184 billion, a 6% increase from the same period in 2014. There were 84,693 accounts in the OCSP, an increase of 8.4% over the same quarter last year. Mr. Alexander also discussed contributions and rollover redemptions both out and into the plan. He also noted that ACP contributions are over 75%, which is higher than in most states.

Mr. Parker informed the Board that the Network name has changed to Oregon 529 Savings Network, because the ABLE program has taken "college" out of the name. The Network logo has also been replaced to reflect the change.

The meeting was adjourned at 3:55 p.m.