

**MINUTES OF THE
OREGON 529 SAVINGS BOARD
MEETING OF November 17, 2016**

Members Present: Peter Angstadt
Darren Bond
Torre Chisholm
Jennifer Cooperman
Brent Wilder

Network Staff: David Bell, Outreach Director
David Elott, Legal Counsel
Kaellen Hessel, Communications Coordinator
Michael Parker, Executive Director
Stephanie Swetland, Plan Specialist
John Valley, Outreach Director

Treasury Staff: Tom Lofton, Investment Officer
Paola Nealon, Investment Officer
Jennifer Peet, Legal Counsel
James Sinks, Communications Director

Others Present: Kerry Alexander, TIAA
Kathy Griffin, TIAA
Ryan Harvey, Sellwood Consulting
Douglas Magnolia, BNY Mellon
Anthony Poto, MFS
Kevin Raymond, Sellwood Consulting

The meeting was called to order at 12:58 p.m. by Chair Jennifer Cooperman.

Board Member Darren Bond moved to approve the July 25, 2016 minutes, seconded by Board Member Brent Wilder. All approved.

Network Director Michael Parker noted the 2017 Board meeting dates of February 16, May 18, September 21 and November 16. He updated the Board regarding a higher ed affordability package that the 529 Network will be supporting during the 2017 legislative session. The three components to the package include a \$100 tax credit for lower income investors, allowing the 529 tax deduction to be per beneficiary per year as opposed to the current per return restriction, and offering an employer tax credit of \$100 when \$100 is contributed to an employee's college savings account.

Outreach Director John Valley informed the Board that the Be College Ready program had expanded from 5 to 15 school districts. Homework folders and bookmarks are being provided to all the elementary school students in those districts, every elementary school participating in the program has the ability for a parent to enter and win a \$529 Oregon College Savings Plan account, and all kindergarten parents in the participating schools are eligible to receive \$25 into an Oregon College Savings Plan account for their kindergartener. Data shows that overall new accounts rose nearly four percent in the original five pilot counties, with total contributions up over 8% in those counties. Mr. Valley noted that the Be College Ready program will most likely be going statewide in the 2017-18 school year, and there would be more to come on that in future Board meetings.

Mr. Parker and Outreach Director David Bell went through the BNY Mellon contract for the ABLE plans with the Board, a copy of which is part of the Network's records for this meeting. A high level summary of

each section of the contract was done. Sundry Administration is the division within BNY Mellon that is working with the Network on Oregon's ABLE plans. BNY was not responsible for the choice of funds in the ABLE plans, and Sellwood Consulting worked with Network staff to select them. The Board will charge a \$5 annual account fee plus 30 basis points per account. Compensation to BNY was discussed, as well as reporting that BNY has agreed to provide, the timing of compliance reviews and confidentiality and information security restrictions and obligations. Mr. Parker discussed the Limitations of Liability clause of the contract with the Board. The initial term of the contract is five years, and it will automatically renew for successive terms of three years each. Mr. Bell explained the fee structure of the ABLE plans. The Oregon ABLE plan will have a \$22.50 annual fee through the end of 2017, since the State of Oregon will be buying down the fee. With the additional 30 basis points that will be charged on assets, Network staff envisions being able to continue buying down the fee indefinitely.

Mr. Parker explained that the Declaration of Trust for the Network was modified to include the ABLE programs and needed to be approved by the Board.

Ryan Harvey of Sellwood Consulting explained the process and considerations that went into choosing the investment options for the ABLE plans. There are three investment portfolios – an aggressive, moderate and conservative portfolio – plus a cash option. Mr. Harvey described the funds in the individual portfolios, why they were chosen for each portfolio, and hypothetical performance of the portfolios. A summary of the selection process is included in the ABLE Savings Plan Investment Lineup Construction document prepared by Sellwood that is part of the Network's records for this meeting.

Changes to the Investment Policy Statement were discussed. A red-lined and clean copy of the document are included in the Network's records for this meeting. The changes were made to adapt the policy to include the ABLE plans. In Section V, new subsection C where the Oregon ABLE Savings Plan investment structure is discussed, it was decided that the last sentence of the section was confusing and unnecessary, so it was struck by the Board.

Mr. Parker offered up recommendations for the Board to approve:

It is staff's recommendation that the Board approve the management agreement by and between the State of Oregon, acting by and through the Oregon 529 Savings Board and Sundry Administration, LLC.

Moved by Board Member Brent Wilder, seconded by Torre Chisholm. All approved.

Staff recommends that the Board approve the Third Amended and Restated Declaration of Trust establishing Oregon 529 Savings Network Trust.

Moved by Member Wilder, seconded by Board Member Darren Bond. All approved.

Staff recommends that the Board approve the changes to the Investment Policy Statement that is in the November 16, 2016 Oregon 529 Savings Board Book, along with the amendment stated by the Board to remove the last sentence of Section V, Subsection C.

Moved by Member Bond, seconded by member Wilder. All approved.

Staff recommends that the Board approve the investment options for the Oregon ABLE Savings Plan and the ABLE for All Savings Plan, presented by Sellwood in the November 16, 2016 Oregon 529 Savings Network Board book.

Moved by Member Wilder, seconded by Member Chisholm. All approved.

Mr. Bell informed the Board of the launch events that will be taking place for the Oregon ABLE Savings Plan during the month of December, 2016.

Doug Magnolia of BNY Mellon walked the Board through the website for the Oregon ABLE Savings Plan. He gave in-depth explanations and demonstrations of the features and capabilities of the site, including covering the sections on eligibility, program benefits, qualified expenses and general FAQ's features. The site has been tested multiple times, including user-testing with members of the disabled community to ensure that it reads well and is easy to follow.

Mr. Harvey presented the third quarter Investment Performance Report to the Board, a copy of which is part of the Network's records for this meeting. The third quarter was a risk on quarter, with equities out performing most other markets. Mr. Harvey explained how market conditions affected performance in the various sectors of the market, and how that, in turn, affected the performance of the portfolios in the Oregon College Savings Plan and MFS 529 Savings Plan. Both plans performed as expected during the quarter.

Kerry Alexander of TFI presented the third quarter report for the Oregon College Savings Plan, a copy of which is part of the Network's records for this meeting. Assets were at \$1.3 billion, which was almost a 17% increase over last year's third quarter, and accounts were up just under 9% over the same period last year. Contributions for the third quarter were \$36 million, which is an 8.8% increase over last year. Redemptions are high, which is good, as 93% of them were used as intended to pay for college expenses. The Age-based and Principal Plus Protection portfolios experienced the greatest increase in accounts during the third quarter.

Anthony Poto of MFS presented the third quarter report for the MFS 529 Savings Plan, a copy of which is part of the Network's records for this meeting. Mr. Poto highlighted account and beneficiary increases from the second to third quarter, as well as Oregon assets by county. Total in-state and out-of-state assets increased approximately \$28 million over second quarter assets, with a \$12 million in-state increase. MFS is \$2.5 billion in net positive money, which puts them in the top 2% as a company.

The meeting was adjourned at 3.58 p.m.