

Frequently Asked Questions
Oregon College Savings Plan
Transition to a new Program Manager

Who is going to be the new program manager?

TIAA-CREF.

What is TIAA-CREF?

TIAA-CREF is a nonprofit corporation established in 1918. It has been a key provider of college savings plans for the past decade and currently administers 529 college savings plans in eight other states.

What is a program manager and why do we need a one?

The law that created the 529 program directs the state to contract with private-sector investment firms to administer the program and invest participants' assets. A program manager provides vital services that are needed to operate the plan and to invest participant money. Those professional services include investment management, recordkeeping, accounting, auditing, call center and Internet services.

What will the change in program managers mean to me?

The contract with the new program manager will usher better convenience, lower costs, and more options for participants in the Oregon College Savings Plan, which will make the best way to save for college and job training even better.

Lower fees will help families save more money, and more options will give participants more flexibility to decide how to save and invest. In addition, the new format will include "conservative" options that preserve assets in times of market distress. In short, it is a better plan and it will cost less.

Why is the state changing program managers?

The contract with the current program manager, OppenheimerFunds, expires at the end of 2009. The state engaged in an open bidding process to seek the lowest cost and highest quality replacement program possible. The current program manager was not among the bidders.

How does Oregon benefit by contracting with a private sector firm?

Oregonians benefit from the expertise and scale of an established investment institution with billions of dollars under management. That means high quality analysis and expertise, low costs, and less overhead.

How long is the contract for?

The contract with the Oregon 529 Board is for five years and it can be extended. In addition, the contract is considered “at will” and can be terminated at any time if the Board decides. The contract also is good for Oregonians because it allows the Board the ability to select the lowest-cost and best classes of funds, both from TIAA-CREF and from other mutual fund companies.

How many firms applied to be the new program manager?

Six.

How was the new program manager selected?

It was a competitive and open bid process. The six proposals were vetted by a committee that included an independent investment consultant, representatives of the Oregon State Treasury, a 529 Board member and a representative of the public. Click here for more details about the selection process and the subsequent recommendation. (Link: http://www.oregon529network.com/Index%20Postings/RFP%20Process%20Post_20090923162701.pdf)

When will the change occur?

The transition is planned for the first quarter of 2010.

What will it cost me to transition to the new program manager?

Nothing.

Will I need to fill out any new paperwork?

No.

What will happen to my investment choices?

Your investment choices will be expanded. Your current investment option will be automatically transferred to a similar investment option under TIAA-CREF. The only difference is that your current investment option will be populated with different mutual funds.

I heard that the low-cost index funds that are part of the plan today are going away. Is that true?

No. The low-cost options in the Oregon College Savings Plan will remain, and will be more robust. The passively managed index options that currently use Vanguard-brand funds will be populated with low-cost passively managed TIAA- CREF index funds.

Is Vanguard the only company that offers low cost index funds?

No.

Will there be any Vanguard funds in the Oregon College Savings Plan after the transition?

It is too soon to say. The staff and consultants are still reviewing a number of options based on performance, price, availability, and other factors. The Board is set to make a decision on the fund lineup at its Oct. 29 meeting.

Why did the state select TIAA-CREF over Vanguard?

Details about the selection process can be found here. (Link: http://www.oregon529network.com/Index%20Postings/RFP%20Process%20Post_20090923162701.pdf)

Did TIAA-CREF provide the lowest cost bid?

Yes.

Will there only be TIAA-CREF funds available after the transition to the new program manager?

It is too soon to say. Under the new contract, TIAA-CREF funds must be considered and chosen if they meet the goals in a specific asset class identified by the Oregon 529 College Savings Board. However, the Board can elect to choose funds from other providers if TIAA-CREF funds do not match the mandate or minimum performance.

Why was the contract structured that way?

Treasurer Westlund and the Oregon 529 College Savings Board are looking out for Oregon families, and that means seeking the lowest fees, best funds and the most options.

I'm worried about my investments losing value. Will there be conservative investment options?

Yes.