

**MINUTES OF THE
OREGON 529 COLLEGE SAVINGS BOARD
MEETING OF October 29, 2009**

Members Present: Ben Westlund, Chair
Lyn Hennion
Paul Kelly
Scott Sandbo
Carl Vance

Network Staff: Michael Parker, Executive Director
Stephanie Swetland, College Savings Specialist
Lynn Nagasako, Legal Counsel

Treasury Staff: Stacey Dycus, Office of the Treasurer
Tom Lofton, Office of the Treasurer
Ben Mahon, Office of the Treasurer
James Sinks, Office of the Treasurer

Others Present: Kerry Alexander, TIAA-CREF
Robert Bergstrom, Account Owner
Douglas Calnek, TIAA-CREF
David Connelly, MFS Investment Management
Joe DelGrande, TIAA-CREF
Bill Finnegan, MFS Investment Management
Ryan Harvey, RVKuhns & Associates
Susan Kay, MFS Investment Management
Corrie Oliva, RVKuhns & Associates
Suzanne Pardington, The Oregonian
Colleen Rooney, MFS Investment Management
Bruce Sheinhaus, OppenheimerFunds, Inc.
Ben Taylor, RVKuhns & Associates
Chris Werner, OppenheimerFunds, Inc. (by phone)

Chair Ben Westlund convened the meeting at 1:04 p.m.

Board Member Lyn Hennion moved to approve the August 25, 2009 meeting minutes, seconded by Member Carl Vance. All approved, although Member Paul Kelly had not yet arrived.

Chair Westlund announced the 2010 meeting dates, which are January 28, April 29, July 29 and October 28.

The Board broke for Executive Session, during which time Member Paul Kelly arrived. The open session meeting was reconvened at 1:59 p.m.

Network Director Michael Parker explained that RVKuhns (RVK) and TIAA-CREF (TIAA) were going to give a presentation outlining the staff and consultants recommendations for all the underlying funds in the Oregon College Savings Plan, a description of those funds, the new plan design, asset allocation, fund mapping, and the new investment option naming convention.

Corrie Oliva of RVK explained the process that was used to arrive at the recommended investment option lineup. She directed the Board to RVK's presentation entitled, "Oregon College Savings Plan Proposed investment Option Lineup," which is part of the Network's records for this Board meeting. The guidelines that staff and consultants followed in developing the fund

recommendations included using passive management in the age-based and target allocation portfolios wherever possible, using TIAA index funds wherever prudent and possible, seeking to minimize fees, and offering a mix of diversified multi-manager portfolios and desirable standalone options to give participants additional choices while keeping the plan structure simple. Ms. Oliva stated that there were four index mandates for which TIAA did not have a product available, so third-party funds were recommended for those mandates. She also explained the selection process for the multi-manager funds.

Ryan Harvey of RVK explained the elements that went into the analysis in choosing the funds for the age-based and target allocation portfolios. A Monte Carlo analysis was used to produce portfolios likely to keep pace with tuition inflation. Portfolios were constructed to minimize volatility at each level, and inflation protection via TIPS is present in all portfolios. There was a strong focus on capital preservation and income in the older age-based portfolios. Three of the Age-Based portfolios will also be offered as “static” target allocation portfolios.

Mr. Harvey stated that the guidelines and objectives for choosing the allocations in the age-based portfolios included passive management wherever possible, conservatism, consistently low fees, gradual age-band roll down to minimize disruption, high risk-adjusted returns, diversification and inflation protection. Mr. Harvey detailed the allocations of the individual age-based portfolios and the process that was used to arrive at those allocations.

Ben Mahon, Investment Officer for the Treasurer’s Office, explained the guidelines and objectives for choosing the funds in the diversified multi-manager portfolios. The motivation was to offer the benefit of active management in a highly diversified, risk-controlled options set. The complementary portfolio management styles allow reduced volatility within each option. Diversification and risk management was paramount in the construction of the portfolios and the selection of the underlying managers. Mr. Mahon described the process that was followed in determining the investment structure and choosing the managers for the portfolios. The allocations of the diversified portfolios were discussed.

Ben Taylor of RVK provided an overview of the recommended stand-alone index and active investment options, which include a socially responsible option and the principal plus interest option.

Kerry Alexander of TIAA explained the Principal Plus Interest portfolio, using a three-page handout that is part of the record for this meeting. The portfolio will guarantee a minimum rate of return of one to three percent over a 12-month period. The guaranteed rate of return will be calculated each year and published April 1, and it will remain in effect until the following April 1 when the new calculation is published. The portfolio is fully liquid and participants can transfer in or out at any time with no holding period. There is a wash transfer rule which will prohibit transfers from the Principal Plus Interest portfolio directly into the money market option. This is to prevent investors from attempting to take advantage of the system by flipping between those two portfolios.

Mr. Parker explained how the existing portfolios in the Oregon College Savings Plan will be mapped over to the new portfolios that will be offered by TIAA when they become Program Manager of the Plan.

Lyn Hennion inquired if the fund the Board had previously chosen (SAM) as a sustainable option was considered when it was determined to use TIAA’s Social Choice Equity Fund for the Social Choice option. Ben Taylor of RVK stated that SAM had been considered and RVK had elected to recommend the TIAA fund for two reasons: The assets under management in the SAM fund were relatively small, and the potential assets that might flow from the Oregon College Savings Plan were a concern, as the Plan could easily become the largest investor in a mutual fund with relatively low assets. Additionally, the fee for the SAM fund was significantly higher than the Social Choice Fund, which also offers broader exposure across the capitalization spectrum.

Carl Vance recognized the efforts of RVK and the Investment Officers of the Treasurer's Office in putting together the fund lineup. He noted that some of the individual funds don't fall cleanly into the guidelines used in choosing the funds, so choices had to be made. He would like to have three of those choices reviewed further. He requested that further research be done on the Inflation Linked Bond Fund, the emerging markets allocation in the age-based portfolios, and the managers chosen for the Diversified International Equity Portfolio. Mr. Vance would also like the Board to analyze and discuss what it means when seeking passive investments. It needs to be determined if the Board wants purely passive, enhanced passive or some variation of that when funds are chosen.

Chair Westlund recommended that the proposed investment options and underlying funds be adopted, since funds can be changed at the Board's discretion. Further research can then be done to see if there are any better alternatives to what has been proposed. Mr. Westland also suggested that a phone meeting be held prior to the previously scheduled December 15 meeting for the purpose of determining the Board's definition of passive and active investing.

Chair Westlund moved the approval of investment options, underlying fund allocations and mapping for the Oregon College Savings Plan, to include addressing the three fund concerns advanced by Mr. Vance and defining the Board's tolerance for the definition of passive, as follows:

WHEREAS, the Board, at its meeting on July 23, 2009, authorized the hiring of TIAA-CREF Tuition Financing, Inc. ("TIAA-CREF") to be the new program manager for the Oregon College Savings Plan.

WHEREAS, the conversion of the Oregon College Savings Plan from the management of OppenheimerFunds, Inc. and its affiliates (collectively "OFI") to TIAA-CREF requires the liquidation of the assets of the Oregon College Savings Plan that are managed and invested by OFI and the transfer of the proceeds of such assets into investments that are managed by TIAA-CREF and approved by the Board.

WHEREAS, the Board, through its staff and advisors, and TIAA-CREF have come to a tentative agreement on the investments for the assets of the Oregon College Savings Plan under the management of TIAA-CREF.

THEREFORE, BE IT RESOLVED THAT the Board hereby approves the Investment Options, Underlying Funds for those Investment Options and the allocations for the various Underlying Funds in those Investment Options, all as set forth in the document entitled "Oregon College Savings Plan Proposed Investment Option Lineup," which shall be attached to the minutes of this Board meeting.

BE IF FURTHER RESOLVED THAT the Board hereby approves the transfer of the proceeds of assets of the Oregon College Savings Plan from OFI to TIAA-CREF in accordance with the mapping set forth in the document entitled "Oregon College Savings Plan Proposed Investment Option Line-up," which shall be attached to the minutes of this Board meeting.

Board Member Scott Sandbo seconded the motion. All approved.

The next order of business was the mapping of the OppenheimerFunds 529 Plan over to the MFS 529 Savings Plan. Dave Connolly of MFS explained where each existing OppenheimerFunds portfolio will go in the MFS plan, and why the chosen portfolios were good matches.

Chair Westlund moved approval of mapping of assets from the OppenheimerFunds 529 Plan to the MFS 529 Savings Plan as follows:

WHEREAS, the Board, at its meeting on July 23, 2009, approved and authorized the liquidation of the assets of the OppenheimerFunds 529 Plan and the transfer of the proceeds of such liquidation to the MFS 529 Savings Plan.

WHEREAS, the Board, through its staff and advisors, and MFS Fund Distributors, Inc. have come to a tentative agreement on the investments for the proceeds of the assets from the OppenheimerFunds 529 Plan.

THEREFORE, BE IT RESOLVED THAT the Board hereby approves the transfer of the proceeds of assets of the OppenheimerFunds 529 Plan to the MFS 529 Savings Plan in accordance with the mapping set forth on Page 34 of the "MFS 529 Savings Plan 3rd Quarter 2009 Update," which is part of the official record of the October 29, 2009 Board meeting.

Paul Kelly seconded the motion. All approved.

Doug Calnek of TIAA provided an overview of the transition plan. He explained the multiple parties that are a part of the transition and their roles, as well as the many steps involved in planning, building and testing the systems, and deploying the transition of the Oregon College Savings Plan over to TIAA.

Colleen Rooney of MFS stated that MFS also has an in-depth transition plan that is very similar to TIAA's plan. A task force of key players working on the MFS transition meets weekly, and MFS is currently in the building and testing phase of their transition plan. The next big step for MFS is communicating with advisors regarding the transition and then following up with communication to the participants.

Ryan Harvey of RVK provided a general market overview. He stated that risk continues to be rewarded this quarter. All size and style segments of the market performed positively. It was also a good quarter for active fixed income managers. Mr. Harvey noted that managers who performed very well in 2008 have not done well in 2009 and vice versa. More conservative managers did better last year, but have been left behind in the sharp upward market we're experiencing now, and the opposite is also true.

Corrie Oliva of RVK stated that the MFS domestic and international funds tend to fall into the conservative manager category, where they did well in 2008 and are trailing their benchmarks in 2009. This is due to MFS's focus on valuation and high quality companies. The fixed income funds have done remarkably well, however. Ms. Oliva noted that the more conservative Oppenheimer portfolios performed in line with their benchmarks and the more moderate to aggressive portfolios underperformed slightly for similar reasons as MFS on the equity side. The full RVK Investment Performance Analysis is part of the Network's records for this Board meeting.

Bruce Sheinhaus and Chris Werner (by phone) presented the OppenheimerFunds quarterly report. Mr. Sheinhaus highlighted account and asset information, contributions and redemptions, beneficiary and account owner demographics, and residency statistics. Mr. Werner explained the performance of the funds in the portfolios. A copy of the quarterly report is part of the Network's records for this meeting.

Colleen Rooney and Dave Connelly of MFS presented the MFS quarterly report. Ms. Rooney highlighted contributions, assets and account information, asset class breakdown and promotional activities and initiatives undertaken by MFS. Mr. Connelly explained the performance of the asset allocation portfolios. A copy of the quarterly report is part of the Network's records for this meeting.

Mr. Parker updated the Board on the TIAA and MFS contracts. A first draft of the TIAA contract has been completed, and the December 15 Board meeting is the target date to bring the finalized

contract to the Board. The MFS contract is being amended to memorialize the transfer of assets from the OppenheimerFunds 529 Plan and clean up some existing language.

Chair Westlund adjourned the meeting at 5:05 p.m.