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**May 12, 2011**

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## Oregon 529 Board reduces fees for all participating families, will increase education about “principal-plus-interest” option

*Because of success and growth in 529 program, Board halves state administrative fee*

TIGARD – The Oregon 529 College Savings Network is growing like gangbusters, and that success on Thursday resulted in a reduction of fees across-the-board for all participating families.

The Oregon 529 College Savings Board today approved cut of 50 percent in the fees the state receives to promote and administer the program. The reduction will save Oregon families more than \$680,000 a year, based on the current level of invested assets, and is projected to go into effect on June 1.

The fee reduction became possible because plan assets have nearly doubled in the past two years, and the state’s fee is based on a percentage of those assets. Total invested assets were \$1.36 billion as of March 31, compared to \$746 million at the end of the first quarter of 2009.

The State Treasury makes no profit from the annual administrative fee, which covers only operating and promotion costs. It had been unchanged since the Oregon 529 Network was launched in 2001. The fee will decline from \$1 for every \$1,000 invested, to 50 cents for every \$1,000 invested.

“The bottom line for Oregon is that we all win when more people are saving for college and post-secondary job training,” said State Treasurer Ted Wheeler, the chairman of the Oregon 529 College Savings Board. “We want to make it as easy and as affordable as possible to save and invest.”

An analysis shows that plan assets climbed to a point where a lesser percentage of fees will provide sufficient revenue to operate the program. As the plan continues to grow, more fee reductions may be possible.

The state-sponsored Oregon 529 Network allows families to receive tax benefits and set aside money for college and job training. It is made up of two separate investment options: Families can invest through a broker in a plan offered by MFS Investment Management, or families can

invest on their own through the Oregon College Savings Plan, which is managed by TIAA-CREF Tuition Financing.

The fee reduction will drop the average total fees for Oregon College Savings Plan age-based options from 0.54 to 0.47 percent, which puts Oregon at the 11<sup>th</sup> lowest level of fees among states that offer 529 plans, according to industry comparisons.

In addition, external management fees are declining on many of the underlying mutual funds in the Oregon 529 portfolio, which makes the plan even more affordable. For instance, the International Equity Index Portfolio management fee declined by 33 percent.

Also Thursday, the Oregon 529 Board discussed the poor investing environment for money market funds, caused by the current historic lows for interest rates. As a result, many money market funds have posted negative returns, net of fees.

The money market fund represents a small sliver of the Oregon College Savings Plan. Investors are choosing that option for just 2 percent of the total assets. The remainder of the Oregon College Savings Plan is posting strong returns, according to statistics presented to the Board Thursday.

The Board accepted a proposal by TIAA-CREF Tuition Financing Inc., which manages the Oregon College Savings Plan option, to reduce or fully waive its own fees each month to help shield investors against losses in the conservative fund.

In addition to approving the 50 percent reduction in administrative fees for all investors, the Board said it would seek stronger communication efforts to educate investors in the money market option about other conservative investment options in the plan, including a guaranteed option: the principal-plus-interest portfolio.

The Oregon State Treasury protects public assets and saves Oregonians money through its investment, banking, and debt management functions. The office also promotes public outreach and education to help Oregonians learn strategies to save money, invest for college and make smart financial choices.

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