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April 1, 2013

The Honorable Elizabeth Steiner-Hayward, Co-Chair
The Honorable Greg Smith, Co-Chair
Joint Committee on Ways and Means General Government Subcommittee
900 Court Street NE, Room H-178
Salem, OR 97301

Dear Co-Chairs:

During our hearing before your committee on April 1, 2013, there were a few questions the committee asked that we were not able to answer for you at that time. Below is a summary of those questions and our responses to those questions. We are available to further elaborate or answer additional questions at your convenience.

1. What is the participation rate in the 529 College Savings Network here in Oregon and how does that compare to other states?

In Attachment A, you can find a table that shows the participation rate in the states that we have available information. The states Louisiana and Connecticut have unusually high participation rates and we do not have an explanation for those rates at this time.

2. What happens to the \$500 prize accounts? Do families invest further or does \$500 just sit in the account earning interest?

We looked at all 50 winners of the 2012 Reading is an Investment program. Here is what we found so far (more families may yet decide to further invest):

- a. So far, 39 of 50 claimed the \$500 prize.
- b. Of the 39, 10 were already existing Oregon College Savings Plan account owners.
- c. Of the remaining 29, 8 made additional contributions above the \$500 initial prize, with 4 people choosing to make contributions automatically each month; 3 people opened a second account; and 1 person invested an additional \$18,000.
- d. Of the 21 accounts with no additional contributions, all remain open, active accounts.

3. A comparison between Senate Bill 120 and Policy Option Package 101 in Oregon State Treasury's budget was requested, focusing on costs versus savings between the two plans.

Please see the graphic in Attachment B as a visual depiction of the two proposals.

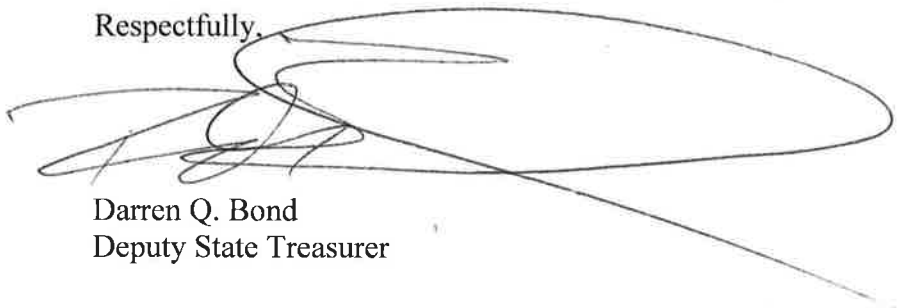
- 4. Is the state of Oregon the lead plaintiff in the securities litigation cases the state is involved in or is another state/entity? Can you provide more details of the two cases that we settled with the defendants for approximately \$28 million? When we file lawsuits of this kind, do we ask for anything beyond the economic damages?**

The state is the lead plaintiff in four active cases, and petitioned, but was not accepted as a lead plaintiff in a fifth. No cases with Oregon as a lead plaintiff have settled since the law was changed to allow Oregon to be a lead plaintiff. In the two cases that Oregon has been involved in that did settle, the state asked for \$15 million in damages and settled for \$8 million from AIG and asked Oppenheimer (529 Network suit) for \$36.2 million and settled for \$20 million.

The state asks for economic damages when we are part of a class action suit. As a lead plaintiff, the state seeks economic damages but also has asked for improvement in corporate governance. There are no “pain and suffering” type damages.

As always, we are available to answer any additional questions you may have.

Respectfully,

A large, stylized handwritten signature in black ink, appearing to read 'Darren Q. Bond', is written over the word 'Respectfully,' and extends across the middle of the page.

Darren Q. Bond
Deputy State Treasurer

Attachments (2)

cc: John Borden, Legislative Fiscal Office
Lyndon Troseth, Chief Financial Office

Attachment A


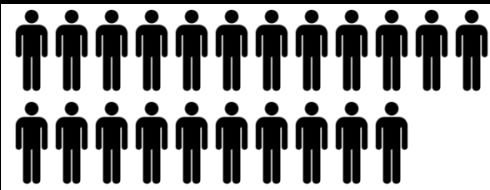


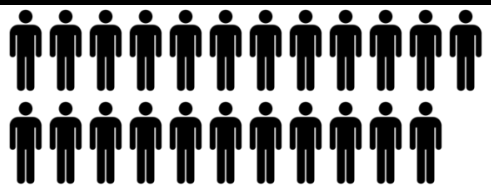

| State | Resident Participation Rate* (Residents 18 and younger with an active college savings account) |
|------------------|---|
| Louisiana | 100.00% |
| Connecticut | 89.00% |
| Wisconsin | 20.00% |
| Iowa | 14.00% |
| Nebraska | 11.93% |
| Indiana | 10.00% |
| Maryland | 10.00% |
| Washington, D.C. | 9.70% |
| Oregon | 9.30% |
| Maine | 9.00% |
| Kansas | 7.30% |
| Vermont | 6.70% |
| South Carolina | 5.34% |
| Idaho | 5.12% |
| New Hampshire | 5.00% |
| Illinois | 4.69% |
| North Carolina | 3.90% |
| Oklahoma | 3.90% |
| Minnesota | 3.87% |
| Georgia | 3.33% |
| Pennsylvania | 3.30% |
| North Dakota | 3.00% |
| Montana | 2.64% |
| Arkansas | 2.00% |
| Iowa | 2.00% |
| South Dakota | 2.00% |
| New Mexico | 1.85% |
| Alabama | 1.50% |
| Kentucky | 1.27% |
| Nevada | 1.20% |
| Hawaii | 0.80% |
| Florida | 0.50% |
| Michigan | 0.40% |
| Texas | 0.27% |

*Savings Plans only as of 12/31/2012. Some states do not report this data or the data is unknown.

Source: College Savings Plans Network

COSTS OF INVESTMENT MANAGEMENT PROGRAM UNDER VARIOUS SCENARIOS

Attachment B

| | STATE EMPLOYEE COSTS | | SAVINGS RELATED TO THIRD-PARTY SERVICES | SAVINGS TO TREASURY BUDGET |
|-------------------------|--|---|--|---|
| | TREASURY EMPLOYEES | OIC EMPLOYEES | | |
| CURRENT SCENARIO |  \$ 13,000,000 | \$ 0 | \$ 0 | N/A |
| | Inadequate middle and back office resources. Heavy reliance on third-party service providers. | | | |
| SB 120 (IMACRA) | \$ 0 |  \$ 19,000,000 |  \$ 28,800,000+ |  \$ 13,000,000 |
| | With SB 120 in place, the OIC has the ability to bring on additional staff and in-source certain third-party services, transferring "Wall Street" jobs to Oregon. | | | |
| SB 5546 POP 101 |  \$ 19,000,000 | \$ 0 | \$ 0 |  (\$ 6,000,000) additional costs |
| | Under POP 101, Treasury staff is increased to allow for additional risk management and other due diligence functions, but governance concerns still require that many functions are outsourced to "Wall Street". | | | |