



# OFFICE OF ILLINOIS STATE TREASURER

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## Sweeping Changes to Bright Start and Bright Directions to Expand Investments, Lower Fees to College Savings Programs

*Bright Start Advisor Accounts to be Converted to Bright Directions  
Bright Start Direct to Offer Expanded Investments at Lower Fees*

### No Action Required by 529 Plan Holders

**CHICAGO** - Illinois State Treasurer Michael Frerichs today announced sweeping changes to the Bright Start and Bright Directions college savings programs that will provide greater investment options at a lower price for more than 450,000 college savers.

Bright Start Advisor accounts will be converted to higher-rated Bright Directions accounts. Bright Start Direct accounts will feature higher-rated investment options.

As a result of the conversion, Bright Directions will become the only advisor-sold plan offered through the state of Illinois. This also will help reduce public confusion with Illinois' direct-sold and advisor-sold 529 plans, currently valued at approximately \$9 billion.

"Attending college or trade school is a reliable path to a better future. Making it easier and more affordable to begin this path is critical to families trying to provide their children with a better life," Frerichs said. "We plan to over-communicate this conversion so families will know what changes are coming and that their investments are secure," Frerichs said.

PROGRAM FEE COMPARISON			
	January 2015	July 2017	Change in Fees
<b>Bright Start (Direct-Sold) Management Fees</b>	15 Basis Points*	8 Basis Points*	47% Reduction
<b>Bright Start (Direct-Sold) Account Fee</b>	\$10 Annual Fee	\$0	100% Reduction
<b>Bright Directions (Advisor-Sold) Management Fees</b>	32 Basis Points*	15 Basis Points*	53% Reduction
<b>Bright Directions (Advisor-Sold)</b>	\$10 Set-Up, \$12 Annual Fee	\$0	100% Reduction

\*A basis point represents one-one hundredth (1/100) of one percent (1%), or .01%. For example, for every \$1,000 invested, 1 Basis Point would represent 10 cents.

Since taking office in 2015, Frerichs has negotiated lower fees on Bright Start and Bright Directions plans. Fees for Bright Start Direct fell by 47 percent and fees for Bright Direction fell by 53 percent.

The 83,500 Bright Start Advisor-sold accounts worth approximately \$2 billion will be converted to the Bright Directions program, which Morningstar considers “Silver Rated” and one of the two best plans in the country. These accounts are purchased through a financial advisor. This conversion will provide expanded investment choices at a lower cost. This conversion will occur in two steps. Program management conversion will occur in July. Financial conversion into new investment vehicles will occur in November.

The current 122,850 Bright Directions accounts valued at \$2.4 billion will continue to enjoy investment options in 55 fund families and receive the second fee reduction in two years.

The 239,600 Bright Start Direct accounts valued at \$4.5 billion will benefit from quality investment options and lower fees.

No action is required on behalf of account holders. Existing age-based portfolio will be converted into a similar age-based portfolio. Investors will be notified what new funds will be used prior to the conversion through an updated program disclosure statement. Account holders will be asked to accept the new program disclosure statement terms and to create a new password for online access.

To effect the Bright Start Advisor and Bright Start Direct conversion, transactions will not be accepted beginning at 3 p.m. on July 12. Transactions include investment fund changes, deposits and withdrawals. Transactions will resume when the market opens on Monday, July 17. Any transaction requests made during the conversion window will be conducted on Monday, July 17, using market values of the new Bright Start portfolios. Additionally, automatic deposits will be suspended at 3 p.m. July 10 and resume Monday, July 17.

More information is available at [www.brightstarttransition.com](http://www.brightstarttransition.com) and at 844.473.8558.

A new program and investment manager will make these changes possible. Union Bank & Trust was selected as a result of an open and competitive bidding process in February to be the program manager for Bright Start and Bright Directions. Wilshire Investments, a long-time partner with Union Bank & Trust, will provide investment advice.

The program manager is responsible for all record keeping, federal reporting and compliance, customer service, and asset allocation. The investment advisor provides advice on asset allocation and investment decisions. This structure is typical in the public and private sector.

Concurrent with this change is a significant reduction in the fee structure.

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These investments are subject to market volatility. These investments are held in a special trust and are not subject to fund sweeps being considered by Illinois lawmakers to address the state's budget impasse.

These investments are not part of the College Illinois! pre-paid tuition program. College Illinois! is not managed by the Illinois Treasurer's Office.

Bright Start Direct and Bright Start Advisor started in Illinois in 2000. Bright Directions opened in Illinois in 2005.

Efforts on this transition started more than one year ago. A comprehensive informational campaign will leverage direct mail and earned media to inform account holders and financial professionals. The general timeline for communicating this transition includes:

- Direct-mail to account holders, investors, and financial professionals in May and June.
- Earned media opportunities, including media events, June-November.
- Transition website to directly inform account holders and investors goes live in June.
- Telephone call center in May.
- Post card reminder to account holders and investors in July.
- Bright Start Advisor and Bright Start Direct program management converted to Bright Directions in July.
- Bright Start Direct investment converted into new investment vehicle in July.
- Bright Start Advisor investment converted into new investment vehicle in November.

### **About the Illinois Treasurer**

The Illinois Treasurer is the state's chief investment officer and Frerichs is a Certified Public Finance Officer. He protects consumers by encouraging savings plans for college or trade school, increasing financial education among all ages, and removing barriers to a secure retirement. As the state's Chief Investment Officer, he actively manages approximately \$25 billion. The portfolio includes \$13 billion in state funds, \$7 billion in college savings plans and \$5 billion on behalf of local and state governments. The investment approach is cautious to ensure the preservation of capital and returns \$28 to the state for every \$1 spent in operations. The Treasurer's Office predates Illinois incorporation in 1818. Voters in 1848 chose to make it an elected office.

### **What is a 529 plan?**

A 529 plan is a tax-advantaged savings plan designed to encourage saving for future college costs. 529 plans, legally known as "qualified tuition plans," are sponsored by states, state agencies, or educational institutions and are authorized by Section 529 of the Internal Revenue Code.

There are two types of 529 plans: pre-paid tuition plans and college savings plans. All 50 states and the District of Columbia sponsor at least one type of a 529 plan. In addition, a group of private colleges and universities sponsor a pre-paid tuition plan.

[Read more on SEC.gov](#)

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**The Bright Start and Bright Directions College Savings Programs are part of the Illinois College Savings Pool and is designed to qualify as a qualified tuition program under the provisions of Section 529 of the Internal Revenue Code. The Bright Start and Bright Directions College Savings Programs are sponsored by the State of Illinois and administered by the Illinois State Treasurer, as Trustee. OppenheimerFunds, Inc. serves as Program Manager and Distributor for Bright Start. Union Bank & Trust Company serves as Program Manager, and Northern Trust Securities, Inc. acts as Distributor for Bright Directions. Investments in the Illinois College Savings Program are not guaranteed or insured by the State of Illinois, the Illinois State Treasurer, OppenheimerFunds, Inc., Union Bank & Trust Company, Northern Trust Securities, Inc., the Federal Deposit Insurance Corporation, or any other entity.**

**An investor should consider the investment objectives, risks, and charges and expenses associated with municipal fund securities before investing. This and other important information is contained in the fund prospectuses and the Bright Directions Program Disclosure Statement (issuer's official statement), which can be obtained from your financial professional and on [BrightDirections.com](http://BrightDirections.com) and should be read carefully before investing. You can lose money by investing in a portfolio. Each of the portfolios involves investment risks, which are described in the Program Disclosure Statement.**

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