



ADVISORY COMMITTEE MEETING MINUTES
November 3, 2011
PERS HEADQUARTERS
TIGARD OREGON

COMMITTEE MEMBERS PRESENT

Peter Farrelly, Chair
Keith Baldwin, Committee Member
Priyanka Shukla, Committee Member
Sharlyn Rayment, Committee Member

STAFF MEMBERS PRESENT

Jon DuFrene, PERS
Gay Lynn Bath, Manager
Denise Helms, Assistant to Manager
Karen Blanton, Educational Representative
Kathy Gannon, Program Coordinator

I. INTRODUCTION:

Call to order by Chair Farrelly at 9:30 a.m. Chair Farrelly asked for introductions.

II. APPROVAL OF MINUTES:

Chair Farrelly asked for any changes to the minutes from the August 10, 2011 meeting as presented. He then asked for a motion to approve the minutes. Keith Baldwin made a motion to approve the minutes. Sharlyn Rayment seconded the motion, and it carried unanimously.

III. OLD BUSINESS:

None

IV. ADMINISTRATIVE REPORT:

- A. Q3 2011 Service Review:** Brian Merrick, Justin Naegle and Carol Cann, via phone, with ING presented the service review. Cann discussed the executive summary noting the assets in the Plan are just over a billion dollars. The LifePath® option represents 26 percent and the Stable Value 18 percent of the Plan assets. The new self directed brokerage option (SDBO) has 10 participants with assets of \$510,000. The loan fund equals \$7.47 million, representing less than 1 percent of the total Plan assets. There have been 1,654 loans issued since the program was added in July of 2007; the average loan balance is \$6,040 and 5 percent of participants have a loan. The net cash flow is a positive \$782,476, contributions totaled \$17,044,047 and distributions totaled \$14,944,386.



Cann reported the average monthly contribution increased from \$397 to \$404 since September 2011. The average participant balance increased from \$46,584 to \$46,975 since September 2010. The Stable Value Option had the largest positive transfer activity, with approximately \$9 million net transferred in the third quarter of 2011. The Small/Midsize Option had the largest transfer out activity of \$410.4 million. Cann explained the rollovers out have decreased consistently since May 2011.

Cann noted one of the upcoming Plan enhancements for 2012 is the Roth 457 which should be implemented in the third quarter.

Merrick commented that some of the rollover activity out may have slowed down due to the transition counseling program now being used. Merrick will provide a summary slide in the next review. Mike Viteri asked if we had done any reaching out to participants who are nearing retirement. Bath would like a mailing/email or some kind of communication to participants close to retirement age reminding them when they retire they are not required to take their money out. Merrick said they would prepare a summary response on what the team can do to help educate and keep participants in the plan.

Justin Naegle explained in the last quarter he has had 49 educational group meetings with an attendance of 763 participants. Naegle has been focusing on meeting with the human resource managers at his presentations to offer one-on-one counseling for the participants who prefer to meet individually. Some participants are more comfortable meeting one-on-one to enroll or talk about rolling money into the plan; Naegle had 257 one-on-one consultations with plan participants. He will continue to educate the participants on financial security, and he shared that participants like the Plan's new branding and logo.

Carol Cann gave a communication update noting the most recent accomplishments; which included the self-directed brokerage option, asset retention and National Save for Retirement Week. The upcoming initiatives for 2012 are to identify targeted audiences and to integrate technology with quick response codes and e-book (Enrollment Guide and Investment Option Guide).

Merrick covered the enhancements that we will be seeing in December and January. The new Account Summary page with Dashboard will show more details about the participants account right on the first page. They will also be able to make changes to their account from this page. ING will be adding new mail delivery preferences so the participant can be notified of updates and changes to their accounts via e-mail



or mobile phone. Merrick will be working with Gay Lynn on all of the new enhancements.

- B. Q3 2011 Performance report/Presentation:** Mike Viteri, from Treasury, and Jake O'Shaughnessy discussed the performance for Q3. Viteri highlighted the recent changes to the OSGP line-up; the Small Mid Cap added Callan Diversified Small Cap Trust to the Small/Mid-Size Cap. Within the International Option they added about 15 percent exposure to a DFA emerging markets fund. The T Rowe Price fund fee dropped 7 or 8 basis points, and by going from a mutual fund with MFS to a CIT (Co-Mingled Investment Trust), the fee dropped from 80 to 44 basis points. Viteri will continue to pursue the best performing managers/line-up changes.

Jake O'Shaughnessy started by reviewing the market in Q3. The 457 contribution limits have increased from \$16,500 to \$17,000 for 2012, which means the 3-year catch-up is now \$34,000.

O'Shaughnessy explained the third quarter was very interesting; it started out by the United States being downgraded by one of the three rating agencies. Most debt covenants read that you have to be downgraded by at least two of the three companies before it would have any material impact. Government debt was the best performing type of asset on the market. O'Shaughnessy commented on the volatility in the market due to the European market. The Feds have announced they are bringing down the long-term interest rates, selling Short Term Bonds and buying Long Term Bonds. The government recently announced some programs to refinance mortgages and student loans which would help free-up some of the debt Americans are currently under.

- C. Update on Open House, Financial Advice Survey:** Gay Lynn Bath gave an update on the open house and workshops held during National Save for Retirement Week which was October 17 through 21. There were workshops held every day at lunch time during the week which were well attended with 25-30 people in each one. On the day of the open house, between 80 and 100 people that attended. There were also workshops held throughout the day, but the attendance was low for those. Bath invited representatives from BlackRock, Dwight and Charles Schwab to attend. The plan update and the state pay stub was used to communicate to state employees about the event, Bath suggested that next year OSGP could look into holding more than one open house, possibly in another city so more people can attend.



Bath noted there have been about 65 responses to her survey about Financial Engines. The majority said they would like to receive the annual statement at \$6 a year, and in a follow up question, 46 respondents said they may be willing to pay the fee, 13 said they would be, and the rest were unsure or felt they could handle their investments on their own. Bath received an e-mail from Vice Chair Lattimer saying they already had financial advice in their other plan, and that employees most likely would not want to pay the fee. Bath talked about the possibility of allowing local governments to opt out.

State Q3 2011 Status: Karen Blanton gave the third quarter status. Blanton was asked by Shukla what the percentage of participants was that attend the workshops who actually sign up. Karen indicated that 67 percent usually enroll.

Blanton attended a regional managers meeting for the Oregon Educational Division this year. There were 105 managers from all over the state. It was a great opportunity to reach out to employees. Blanton held the wealth builder workshop for them. She explained that health insurance had taken precedence with people this year and the PEBB meetings sometimes conflicted with the benefit fairs, which resulted in less attending at the workshops. Blanton thanked Priyanka for helping her schedule six employee workshops at Revenue. Blanton has a regional managers' meeting set up for next year in eastern Oregon at Fish and Wildlife where 50 to 60 managers should be in attendance.

Blanton is working on a retirement workshop for Department of Human Services (DHS). She held two already and had good feedback. Karen said that the biggest misunderstanding when participants retire is they don't realize they can leave their money in OSGP. She always emphasizes this when she meets with employees nearing retirement. Blanton explained the LifePath® funds are very popular for the novice investor. Blanton and Naegle will be holding workshops at OSU next week.

Local Government Q3 2011 Status: Justin Naegle gave the third quarter update for Jack Schafroth today as he was attending a benefits fair in Grants Pass. The total current participation is up to 7 percent. Naegle explained the local governments have other providers available to them which make it more competitive. There were six new adoptions this last quarter; and four of those were school districts. There are six more adoptions in progress.

Justin and Jack are working on increasing participation. Naegle noted that OSGP's fees are a great selling point. Rollovers-in are at 89 percent of goal. Naegle said we



need to target current local governments by holding more presentations. He and Schafroth are working on splitting up their territories to target more people.

D. Q2 2011 Plan Statistics: Kathy Gannon gave the highlights of the third quarter's statistics. There was a slowing down of total contributions this last quarter, possibly due to the current economic situation, but overall the contributions are up from last year. New enrollments were 298 for the quarter which is up from last year's 291. The final paycheck provision is up 69 percent from last year at this time, Gannon contributes this to the payroll departments who are spreading the word about this provision. Loans are holding steady at around 35 per month. Unforeseeable emergencies have been increasing. Rollovers into the plan are at 244, which is up from last year's 174; 126 were from the IAP. The rollovers out were 131; up from 128 last year at this time. Gannon added the prior service time purchase of service statistic which went into effect on September 1. There were 26 direct rollovers out to purchase time. For information on the eligible purchases, participants should contact PERS.

NEW BUSINESS

Chair Farrelly has been working on a sample survey for auto-enrollment. He has already held a test run in his building and got mildly promising responses. He will be working with Gay Lynn and will keep us up to date.

V. AUDIENCE PARTICIPATION:

None

VI. ADJOURNMENT: The next meeting is February 8, 2012 in Salem.

There being no further business, Chair Farrelly adjourned the meeting.

Respectfully submitted,

Denise A Helms
Assistant to the Deferred Compensation Manager