



ADVISORY COMMITTEE MEETING MINUTES

NOVEMBER 9, 2005

PERS HEADQUARTERS

BOARDROOM

TIGARD, OREGON

COMMITTEE MEMBERS PRESENT

ROMAN MARTUSHEV, CHAIR
FRANK GOULARD, VICE CHAIR
KATHLEEN BEAUFIT COMMITTEE MEMBER
PETER BYEMAN, COMMITTEE MEMBER
JASON EVERS, COMMITTEE MEMBER
BARRY KAST, COMMITTEE MEMBER
WILLIAM ROBERTSON, COMMITTEE MEMBER

STAFF MEMBERS PRESENT

GAY LYNN BATH, MANAGER
PAUL CLEARY, EXECUTIVE DIRECTOR
DENISE HELMS, ASSISTANT TO MANAGER
KATHY PETERSON, PROGRAM COORDINATOR
JUSTIN NAEGLER, EDUCATIONAL REPRESENTATIVE
JACK SCHAFROTH, LOCAL GOVERNMENT REPRESENTATIVE

I. INTRODUCTION:

Call to Order by Chair Martushev at 9:30 a.m. Chair Martushev asked the board to introduce themselves to PERS Executive Director, Paul Cleary.

II. APPROVAL OF MINUTES:

Chair Martushev asked for any changes to the minutes from the November 9, 2005 meeting as presented. Goulard then moved to adopt the minutes as presented. Robertson seconded the motion, and it carried unanimously.

III. OLD BUSINESS:

None

IV. ADMINISTRATIVE REPORT:

- A) **Service Review:** Tony Signorello from CitiStreet presented the quarterly service review. Signorello explained that the market is moving in a positive direction, but there has been some uneasiness in the market due to the interest rates, oil prices and other rising costs. Plan assets are at \$805 million,

Signorello reported the plan branding redesign is complete. The website is updated with the new look as are all communication materials including the enrollment kit. Participants can complete and print all forms from the website. Oregon is the first CitiStreet client to have this feature. Signorello thanked Gay Lynn Bath for all of her hard work on the forms.

Signorello advised Goulard that CitiStreet is still working on the average speed of answer request. The average speed of answer for calls over 30 seconds is 33.6 seconds. The statistics will include the average speed in future reports. The highest hold time per participant was 47 seconds. Goulard asked if CitiStreet could track the number of calls that were immediately connected to a representative. Cleary asked if they tracked average length of calls, and Signorello responded they do track average talk time. Byeman asked Signorello what types of statistics were tracked. Signorello replied that the statistics included average wait time, number of calls coming in, the time it took to answer the call, and number of representatives on the line at any one time. Evers asked if customer service was available in Spanish. Signorello will find out about languages capabilities in the call center.

Evers asked if OSGP staff could track what percentage of retirees rolled their PERS and IAP funds into OSGP. Bath responded that OSGP had recently created a brochure outlining the benefits and process of rolling money from IAP accounts into OSGP. The brochure will be available in the PERS and OSGP offices, and posted on the OSGP and CitiStreet websites. Peterson noted that so far this year OSGP has processed 100 IAP rollovers and 25 PERS account rollovers into the plan. Cleary noted the PERS IAP accounts originated on January 1, 2004; therefore, participants who retired on or after that date that would be eligible for rollover. Cleary stated that in 2004 there were 6000 retirements, and PERS is on track to process 4000 in 2005.

Signorello discussed statistics on participation by age group. Chair Martushev asked about the range of people participating, to determine within those age bands the highest and lowest balances. Signorello pointed out that these statistics would not be helpful, because lowest is going to be "0." Evers asked if Signorello could provide information on how often participants change their deferral and allocation amounts. Signorello reported there were 170 rollovers-in and 81 rollovers-out during the last quarter. Naegle stated that some of the rollovers out were retired participants who do not want to manage their own accounts and prefer a financial advisor.

- B) Performance Results:** Kevin Nordhill, Treasury Department, presented the performance results for the third quarter. Nordhill noted that short-term rates have moved to four percent. Nordhill does not anticipate any major changes. The OIC will be meeting in February for their annual review for OSGP.
- C) Local Government Status:** Jack Schafroth reported that his goal to increase local government participation by 20 percent has already been exceeded and is currently at 21 percent. Schafroth included the total number of eligible employees to his report. Beaufait asked how many entities in local government are eligible to participate. Schafroth will get that information and present at the next meeting. Schafroth noted we had added 23 new local government agencies this year and that he will most likely exceed his goal of 25. In addition, this number represents the most local government agencies that have adopted the plan in a single year, with the

exception of 1998. Schafroth noted that some of the success in areas like Bend, Redmond and the Prineville are due to communication between the districts, where in one recommends OSGP to another. Evers asked about doing a mass mailing to local government agencies in that area.. Schafroth responded that any communications we do with the local governments must go through their Human Resources department, but that we are working on ways to improve communication. Schafroth asked the board if they knew of any professional organizations that they thought would be a good contact for him, and if so, to please e-mail him.

- D) State Status Report:** Justin Neagle gave an overview of the two main OSGP goals. The first goal is to increase participation. Naegle explained that he was working on building an e-mail database with the human resources departments in order to send them fliers for posting and distribution.. Another plan is to offer evening workshops; Naegle explained that next year he would schedule evening meetings at the Multnomah County Library and the library in Salem. Naegle stated that he has surpassed his goal of 1000 participants attending workshop seminars for 2005. Evers asked about direct mailing to state employees' place of work. Peterson explained that in the past, we have not had a lot of success mailing directly to an agency because the information sits in their HR department and it does not get distributed. Bath recently sent an e-mail via a list serve to the state payroll administrators advising them that we had new communication materials and asking if they wanted any sent to them. The response was good; they ordered over 2700 brochures to give out to new and current employees. Naegle has had a good response for brown-bag lunch presentations. The second OSGP goal is to increase monthly deferrals in the plan by 10 percent. He said we probably wouldn't reach that, the average deferral is remaining fairly steady. Martushev suggested the measure in which he has chosen might not be achievable due to economic conditions. Evers asked if people defer mostly dollar amounts or a percent of pay. The response was that most people defer a dollar amount. At workshops, Naegle suggests to participants that they do a percent of pay because it will automatically increase deferral when participants receives raises.. Bath suggesting putting an article in the Plan Update showing the benefits of deferring a percentage. Naegle expressed difficulty getting to the college campuses but he is working on solutions. To date, there are 517 rollovers into the plan; 100 are from the IAP.
- E) Asset Report:** Gay Lynn Bath shared the most recent asset report, comparing it with one from the same time last year. Participants' allocations have not varied much in the past year. Since January there have been 849 new enrollments for state employees, and 452 new local government employees. The assets have gone up over \$130 million in the last year. Monthly deferrals are now between \$4.1 and \$4.6 million .
- F) Plan Update:** Gay Lynn Bath discussed how the most recent Plan Update was used to communicate important information about the plan, including 2006 deferral limits, Max Plus, 50 Plus, and final paycheck deferral information. Bath shared she had entered the new OSGP communication materials into the Eddy Awards which are sponsored by Pensions & Investments; a decision should be made in December. Bath noted when she attended NAGCDA, that our materials were exceptional in comparison to other plans.

V. NEW BUSINESS:

- A) **Loan Proposal-Presentation:** Bath presented information on offering loans in the plan and asked the committee for feedback. One reason Bath felt loans would benefit the plan was to attempt to lower the number of unforeseeable emergency withdrawals. When participants apply for an emergency withdrawal, their deferrals are automatically stopped for six months. After six months CitiStreet sends a letter notifying the participant they are eligible to rejoin. However, in 2003 and 2004, of those participants who received an unforeseeable emergency withdrawal, 85 percent did not re-enroll. When a plan has a loan program, most loan recipients will continue to contribute even while paying back the loan. Bath shared that between 2003-2004, OSGP reviewed 193 unforeseeable emergency withdrawals; of those 106 were approved, and 87 were denied. Bath explained the criteria for these hardships, noting some of the specific reasons. Bath shared the pros and cons of offering loans, and explained how loans worked in other states. She also discussed loan fees and outlined the implementation process.

Martushev asked how participants pay back the loans. Bath explained that the loans were paid back through payroll deductions. Beaufait asked if participants were to come into money if they could pay back a portion of the loan. Bath explained that a loan could be paid off in full at any time, but that participants could not make larger payments than the initial payment amount at any time during the course of the loan. Bath also said participants would have to use the loan program before they could apply for a hardship. Byeman asked who would pay for administrative costs of loan. Bath explained that CitiStreet would charge a loan fee that would be paid by the participant. Kast asked if that estimated \$50 fee would be enough to cover the administrative costs and Signorello advised that it would. He also said that the payments come back in through payroll deductions, so that information just sweeps right into the system. Signorello explained this would be a service to the plan; CitiStreet is not trying to market it or make money from it. They just want to cover the costs. Evers asked how CitiStreet felt about OSGP offering loans. Signorello feels that the way Bath would have it set up, he felt it was conservative and would work well. Cleary asked the average amount of each emergency withdrawal. Bath said they were approximately \$9,000.

Martushev asked how many states offer these types of loans. Bath said approximately 23 percent of governmental or 457 plans offer loans and 85 percent with 401(k) plans offer them. Kast asked if there were some qualifying criteria in applying for loans. Bath explained the difference between general-purpose loans and residential loans. The general-purpose loans can be taken for any reason, but the residential loans require documentation. Cleary said that if a loan were defaulted, the participant would have to pay taxes on the balance. Bath shared responses from surveys from NAGDCA members regarding their experience with loan programs. Bath contacted the state payroll manager and all local government payroll administrators to determine if their systems could handle loan payments. Most said yes, but some local governments do not want to offer loans. Bath expressed that if we do go forward with loans, she would want the local government agencies to be able to opt out if they chose to do so. Martushev asked if participants who have borrowed money continue deferring while they are paying back the loan. Bath indicated that most people do continue to defer; however, some may stop or lower their deferrals while paying back the loan. Kast had to leave the

meeting early, and, thanked Gay Lynn for an excellent presentation, but wanted to make sure this would be discussed further.

Byeman asked about bankruptcy. Bath said creditors could not attach 457 plans, as they are exempt from bankruptcy. Carol Cann from CitiStreet shared that on October 17, 2005, the loan payments must continue even if a participant declares bankruptcy. Signorello stated that these are payroll deductions and as long as participants are still working, they cannot default. Robertson asked about repayment, and asked if participants could make a partial payment. Robertson also asked about the tax treatment of the payments. Bath indicated they are paid back with after-tax dollars. Beaufait said that tax treatment could make it a more expensive loan. Bath said if the loan program is approved, she would develop a brochure, and post loan information on the website, but the plan would not market loans. Evers asked if we would create an administrative rule for loans. This was discussed and it was determined that an administrative rule would be written. Bath indicated that OSGP would see a large amount borrowed when the loan program was initially implemented, but that it would most likely taper off over time. Martushev asked for statistics on what other states do with their loan programs, and how much participants borrow. Evers asked how the PERS board felt regarding the decision to offer loans; Bath explained that it has not been presented to them yet. Martushev suggested the Advisory Committee meet again when the rest of the information was collected.

- B) OSGP History and Current and Future Issues:** Bath asked the committee if they had any questions on the memo outlining OSGP history that will be presented to the Board for background information. There were no questions.
- C) NAGDCA/P& I Conferences:** Bath shared a report on the recent conferences she attended. There was a panel discussion on loans, and she will forward the presentation to committee members.
- D) PERS Update:** Cleary stated that OSGP is an important part of the retirement three-legged stool. He shared a handout regarding PERS statistics. Cleary shared that not all PERS' retirees are retiring with large benefits. The system-wide average for all of our retirees is about \$21,000 annually; \$1750 a month. Cleary stated that, Tier One is a closed system and Tier Two doesn't provide the same type of benefits because it does not have the 8 percent guarantee. The OPSRP pension is a totally different animal as well; so if OSGP was important for Tier One members, it is doubly important for Tier Two and OPSRP pension members.

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

Respectfully submitted,

Denise A Helms

ASSISTANT TO THE DEFERRED COMPENSATION MANAGER