



**ADVISORY COMMITTEE MEETING MINUTES**  
**NOVEMBER 8, 2006**  
**PERS HEADQUARTERS**  
**BOARDROOM**  
**TIGARD, OREGON**

**COMMITTEE MEMBERS PRESENT**

ROMAN MARTUSHEV, CHAIR  
FRANK GOULARD, VICE CHAIR  
WILLIAM ROBERTSON, COMMITTEE MEMBER  
JASON EVERS, COMMITTEE MEMBER  
KATHLEEN BEAUFIT, 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 for roll to be called.

**II. APPROVAL OF MINUTES:**

Chair Martushev asked for any changes to the minutes from the November 8, 2006 meeting as presented. Chair Martushev then moved to adopt the minutes as presented. Evers seconded the motion, and it carried unanimously.

**III. OLD BUSINESS:**

**A) Status of Administrative Rules:** Gay Lynn Bath explained there were two administrative rules that were scheduled to go before the board this week regarding loans and trading restrictions. However, there are questions regarding the use of a redemption fee in the International Stock Option. The current administrative rule states that OSGP cannot charge more than two percent for administrative fees; this rule is being interpreted as such that the recommended redemption fee would increase the administrative fee to more than two percent. The rule for the loan program is also being tabled until January. Bath noted there was only one public comment from the Oregon University System regarding procedures for leaves of absence and inadequate funds to pay loan. Bath stated she was working with CitiStreet to address these questions and any others that may arise.

#### IV. ADMINISTRATIVE REPORT:

- A) **Local Government Report:** Jack Schafroth noted the number of eligible participants continues to grow as new employers are being brought on board. The number of eligible employees is currently at about 42,000, which caused the percentage of participating employees to drop slightly as more eligible employees are added.

Schafroth explained that about half of the local governments coming on board are due to word of mouth from a participating entity. Schafroth stated he spent a great deal of the third quarter working with the adoption process with new employers, and that is reflected by a dip of the amount of new enrollments. During the fourth quarter, OSGP will be adding four to seven new employers, which will give Schafroth a chance to provide more workshops and site visits. Chair Martushev asked about the strategy of bringing on new employers, questioning whether we should focus on the employers we have or on adding more participants. Schafroth explained his main focus was still on bringing new employees into the plan. Besides the benefits fairs, Schafroth said he actually had more employers contacting him than he contacting them.

Schafroth noted that OSGP has added more school districts this year than ever. In the last quarter alone, four of the seven new employers were schools. Schafroth completed 17 site visits, 10 benefit fairs, and 10 workshops. Schafroth reported there are currently 2,147 employees participating, and the average monthly contributions are \$623,773. Goulard asked if there was enough staffing support to handle the additional growth. Schafroth explained that he and Bath have had discussed this and are monitoring the growth, explaining that currently we have the resources to handle the added growth. He noted that Justin Naegle helps out when he is in an area doing state presentations and can also help with local government visits. Denise Helms works with local government employers and employees and has assisted with benefit fairs. OSGP will also delegate other staff members to attend the fairs and work with the presenters. Schafroth said OSGP would get to a point very soon where the potential eligible local government employees will be the largest group.

**Performance Review:** Kevin Nordhill from Treasury presented the most recent performance report. Nordhill noted that active management this year has been very difficult for equity managers, in particular for value managers. Nordhill said that momentum stopped, which causes a drop in the market. Chair Martushev asked several questions regarding the new fund in the International Option that he felt was underperforming. Evers asked about the process for bringing a new fund on board. Nordhill explained that staff does the initial research and he does the screening, using a variety of different databases to do research. Beaufait asked if the Oregon Investment Council (OIC) minutes from their meetings were available and Nordhill said they could contact Treasury and that information would be provided. Beaufait suggested that the members of the Committee get this information if they want to question the OIC's decisions. Bath reminded the Committee that by statute OIC determines which funds we have in the plan, that Treasury has an investment policy it uses when determining trading out a fund. While the Committee is encouraged to voice its concerns or recommendations to Treasury, it does not have authority to ask them to change out the funds.

**Stable Value Option Update:** Kim McCarrel from INVESCO presented the Stable Value Fund Report. McCarrel noted that the Stable Value represents about 15 percent of the assets in the plan. The assets in the plan dropped some last quarter due to the equity market rising. McCarrel explained wrapper providers and credit ratings. McCarrel shared that the last of the original contracts will expire on December 29, 2006. Evers asked how much money was in our stable value fund, and McCarrel responded that the amount is \$138 million.

- B) Service Review:** Greg Talbot and Kim Alger from CitiStreet presented this quarter's service review. Alger said it was a strong third quarter, noting the feds have stopped raising the rates in August. The total plan assets have increased to \$902.9 million, which is a 10.7 percent increase from the prior year. Alger noted that on September 15, CitiStreet added a rebalance feature to the plan. This feature allows participants to have their accounts automatically rebalanced either quarterly or annually. Currently, there are 85 participants who have taken advantage of this new feature. Looking to 2007, Alger explained that CitiStreet has a lot of initiatives in place. They are currently redesigning the website to make it more appealing and easier to navigate. Alger said Gay Lynn Bath would be notified when the system had to be shut down to incorporate the changes and that a message would be available on the website and the phone system. The shutdown would take place over a weekend.

Greg Talbot covered the Service Review, starting with the call center statistics. The average talk time was 3:36 minutes. Chair Martushev asked why the answer time was going up. Alger explained they had a new manager in the call center and they are being proactive for the months to come regarding staffing during peak times, keeping more representatives on the floor. CitiStreet currently has 15 customer service representatives for the Oregon Plan. Alger also said that when the participant calls the call center, normally they have already researched their question and not found an answer, so by the time they call, they are typically asking more difficult questions. Bath explained she has a monthly call with CitiStreet to review a number of random customer service calls. She also noted that she has not received any complaints about hold time or answer time.

Talbot shared the plan numbers for the last quarter. CitiStreet added a new graph to its report entitled Quarter End Average Assets by Plan, which compares average assets in OSGP to nine other governmental 457 plans. Evers asked if CitiStreet could do a breakdown of the fund. Goulard asked for a chart for each of the nine funds to show how many participants are contributing to each. Talbot added a section on the rollovers that listed the top five investment companies that were receiving the rollover money from OSGP participants.

- C) State Status Report:** Justin Naegle explained he is still on track with his goals, and is continuing to hold workshops and brown bag lunches. Naegle handed out a spreadsheet with listing state agencies with the number of eligible employees and participating employees, and also showing the current percent of participation. He discussed some of his goals to target the agencies with the lower participation rates.

Naegle addressed some of the reasons the participants roll out of the plan. Bath designed a brief survey for these participants and so far OSGP has mailed out 62 surveys, and 27 were

returned. The top four reasons are: 1) the new providers offer financial advice, 2) they wanted all of their retirement money in one place, 3) they wanted more investment choices, and 4) they were advised to roll out by their financial advisor. Naegle reported he has given three workshops at DHS using “iLinc” web conferencing software, and 25 people attended each one. Naegle will report the information on the miscellaneous agencies at the next meeting.

**D) Plan Update:** Gay Lynn Bath discussed the rebalance feature article. She noted that the article regarding beneficiary information generated a large number of calls to the office, and many participants completed new beneficiary forms.

**E) OSGP Statistics:** Kathy Peterson noted that monthly contributions for the last quarter were a little over \$15 million bringing the year-to-date to almost \$50 million. Peterson noted that there is a slight drop in contributions during the summer months due to Higher Ed and school districts. Goulard asked if he could get a breakdown by age group of what percentage each age group is contributing. Bath will research this and get back to the Committee to see if she can get these numbers. Peterson presented the numbers of participants in the catch-up programs.

## V. NEW BUSINESS:

**A) Pension Protection Act:** Bath summarized the new Pension Protection act and provided the committee with a grid that listed the provisions that affected OSGP; one of which made the provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) permanent. Those provisions were set to sunset in 2010.

**B) Save for Retirement Week:** Gay Lynn Bath shared the excellent response OSGP had during *Save for Retirement Week*. OSGP held an open house in the Archives building on Wednesday October 25. Chairman Martushev, along with the entire OSGP staff, greeted participants and handed out plan materials. Approximately 150 people attended, and some even signed up on the spot. CitiStreet developed posters for the event, and OSGP provided door prizes and refreshments.

## VI. AUDIENCE PARTICIPATION:

Paul Cleary gave an update on PERS and the IAP.

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

Respectfully submitted,

Denise A Helms

ASSISTANT TO THE DEFERRED COMPENSATION MANAGER