



**ADVISORY COMMITTEE MEETING MINUTES
AUGUST 9, 2006
PERS SALEM CENTER
ARCHIVES CONFERENCE ROOM
SALEM, OREGON**

COMMITTEE MEMBERS PRESENT

Roman Martushev, Chair
Frank Goulard, Vice Chair
Kathleen Beaufait, Committee Member
Jason Evers, Committee Member
Barry Kast, Committee Member
Judy Scales, Committee Member
William Robertson, Committee Member

STAFF MEMBERS PRESENT

Gay Lynn Bath, Manager
Dave Tyler, Chief Financial Officer
Denise Helms, Assistant to Manager
Justin Naegle, Educational Representative
Doug Pederson, Deferred Comp Specialist
Kathy Peterson, Program Coordinator
Jack Schafroth, Local Government Representative

INTRODUCTION:

Call to Order by Chair Martushev at 9:30 a.m. Chair Martushev introduced Judy Scales, the newest Advisory Committee member, representing local government agencies. Scales is the Human Resource Director at High Dessert ESD in Redmond, Oregon. Chair Martushev then asked the Committee to introduce themselves, share where they worked, and state how long they have been participating in OSGP.

I. APPROVAL OF MINUTES:

Chair Martushev asked if there were any changes to the minutes from the May 10, 2006 meeting as presented. Robertson moved to adopt the minutes as presented. Evers seconded the motion, and it carried unanimously.

II. OLD BUSINESS:

A) Status of Administrative Rules: Gay Lynn Bath explained there were two new administrative rules that were introduced to the PERS Board at its July 21 meeting. The first is for the loan program and the second is for trading restrictions. The board only had a few questions about the new rules that were answered at the meeting. There was a public hearing held for comments on the rules on July 25, 2006. Bath stated that no one showed up for public comment; however, Daniel Rivas, the rules coordinator for PERS received an e-

mail from Jim Wallace with a comment on the trading restrictions, and Bath received an e-mail from a participant with a comment about the loan program that was forwarded to Daniel. Participants have until September 22 to make public comment. Bath stated there would be some additional information added to the trading restrictions to make them more clear and easier to understand. These rules will be presented to the PERS board in November for approval, and if approved, will go into effect during the second quarter of 2007.

- B) Board Decision on Reappointment of Advisory Committee Member:** Gay Lynn Bath reported that the PERS board had approved Frank Goulard's reappointment for the next three years.

III. ADMINISTRATIVE REPORT:

- A) Performance Review:** Kevin Nordhill from Treasury presented the most recent performance report. Nordhill noted that the feds finally quit raising rates after 19 straight increases. Nordhill highlighted the most recent performance results, noting the addition of 5-year Constant Maturing Treasury (CMT) benchmark for the Stable Value Option. The OIC added the new benchmark so there would be a better comparison of the short-term rates.
- B) Service Review:** Greg Talbot and Kim Alger from CitiStreet introduced themselves. Alger is responsible for servicing the public sector section at CitiStreet. She has 12 years of experience in a variety of roles; her most recent role being running the operation area of the Quincy business office. Greg Talbot has been with CitiStreet for 26 years, and he replaced Tony Signorello as the relationship manager for the Oregon plan. Talbot's most recent role was in the quality assurance area.

Alger shared that assets have increased overall by 12.6 percent from 2005. Comparing the ending balance from first to second quarter, there was a slight decrease of approximately \$4 million as a result of market fluctuation. Alger expressed that there were some challenges this year with the service matrix in the call center, which has experienced a high call volume as well as longer wait times. CitiStreet is currently working on the situation and want to bring the call wait time back down to the 30-second service standard. Chair Martushev asked if they had identified the reason for the high call volume, and Alger explained it was due to participants using the Internet more, thereby showing interest in their retirement accounts. Participants are checking their accounts online or with the toll-free number which may then prompt a call to a customer service representative to ask more technical questions. The average talk time has been about four minutes. Chair Martushev asked if they anticipated seeing the call volumes rise; Alger stated that CitiStreet felt the call volume would continue to increase and that one of their strategies to address the issue is to increase staffing. CitiStreet is committed to keeping the staff levels high in order to provide great customer service. Talbot noted that as CitiStreet provides more information, it generates more questions from participants about their individual accounts. Evers asked how many customer service representatives CitiStreet has on our plan and how those staffing levels are adjusted. Alger said they would provide that information at the next

meeting. Alger asked the Committee if there was any specific information they would like provided to them. Chair Martushev asked for a plan comparison from other 457 plans of the average account balance. Evers asked for a monthly breakdown by age group. (There was a fire drill and the meeting was interrupted for approximately 10 minutes.) Alger noted that they would add the age group to the slide covering average contributions rates. Alger discussed the rollover statistics, noting there was a negative net amount in the rollovers out. There is a new process in place this quarter wherein rollovers from IAP to OSGP will be handled directly at CitiStreet, and a check will not have to be issued or sent to the participant. Instead, CitiStreet will transfer the funds and send OSGP notification and send the participant a confirmation.

- C) Local Government Status Report:** As requested at last quarter's meeting, Jack Schafroth provided numbers on the total number of eligible local government entities. Jack indicated that there are approximately 1500 local governmental jurisdictions that could join the plan. Schafroth noted that about 100 of those are special district, and some are one or two person agencies.

Schafroth stated that the total monthly contributions of \$645,446 were lower than the previous quarter due to higher contributions last quarter from Corvallis School District. When it came on board, the district was going through contract negotiations, and chose to eliminate an early retirement program. This resulted in lump sum payouts to the staff that they were able to defer with OSGP. Those contributions added up to nearly a million dollars. In addition, the City of Springfield implemented a program with their union firefighters wherein they negotiated that one percent of the top step of the salary range for each firefighter would go into a deferred compensation account. They currently have three 457 providers that include ICMA, ING and OSGP. Schafroth held a number of presentations with the firefighters, and OSGP was by far the plan of choice. Schafroth also stated that because of our low fee structure, The City of Springfield designated that OSGP would be the default plan, and contributions from those employees who had not designated a fund allocation would go into the balanced option, giving the participants additional growth potential. Schafroth will be meeting with them in the next month and report the progress to the Committee.

Schafroth reported that the plan adoptions in progress were very positive. OSGP is on track to bring on more employers this year than it has in any single year in the plan. Parkrose School District, Elkton School District and Charlston Fire District recently adopted. Schafroth noted that he completed 55 site visits this quarter. The overall participation for local government employees in any of the deferred compensation plans offered to them is at about 25 percent. Schafroth will continue to look for ways to maximize participation.

- D) State Status Report:** Justin Naegle gave an overview of his goals for the second quarter. He noted that 63 percent of the people attending his workshops enrolled after the workshops. Naegle explained to the Committee that employees do not like taking personal time to attend the workshops; he lets them know that he can provide this information during a lunch hour as well. Robertson noted that at DEQ their contract has a provision that

allows employees time for retirement planning. Naegle stated that DHS, the state's largest agency, does not allow this, so brown bag lunches may work best for them.

Naegle explained that one of his goals was to increase participation by five percent in each agency. Naegle will bring the summary breakdown in the next meeting. The newest miscellaneous agency to start contributing is the Oregon State Bar, which offers its employee the choice between Nationwide, Valic or OSGP. In the first workshop with the Bar, Justin had about 30 people attend, and 10 or 15 of them have stated they are going to roll their Nationwide money into OSGP. Naegle will share the numbers at the next meeting. The Oregon University System said only about 25 percent of its employees participate in any deferred compensation program or 403(b). OSGP has about three or four percent of that number. The University of Oregon has let him drop off enrollment guides, but will not allow workshops. Naegle addressed Beaufait's question regarding where the rollover money was going and why participants were rolling out of the plan. Naegle believes the biggest reason is that employees may be changing employers and want to consolidate their accounts. He also said they may want to move to a fixed account and he is seeing some money going into index annuities. Naegle does research and makes calls to participants if he sees rollovers going to a particular provider.

- E) Plan Update:** Gay Lynn Bath commented that CitiStreet would have some new calculators ready to roll out in October. Bath noted that there would be no fee for the rebalance option, as was previously reported to the Committee. CitiStreet is going to provide this at no cost to the plan, and it should be available around September 15, 2006. Bath explained there was an article in the Summer 2006 Plan Update, and she will run another article as a reminder in the next issue. After checking with a few other plan sponsors who offer auto rebalance, Bath concluded that it would be best to offer both a quarterly and annual option for rebalancing. Bath highlighted the article on fees and changes to the mutual funds. In addition to the website, a bookmark was created to insert into the hard copies of the investment booklets. Bath followed up on an issue regarding the pay stub message that was printed on the back of the March 1 paycheck. The enrollment numbers for January were 86, 58 for February, and 88 for March. In April, 114 enrolled, 243 enrolled in May, an 117 in June. Bath explained there was an upward trend so that could have been because of the pay stub message.

Kast asked if using the rebalance option opted a participant out of self-management. Alger stated that if the participants made an allocation change after signing up for the auto rebalance, the feature would shut off.

- F) OSGP Statistics:** Kathy Peterson highlighted the program numbers for the second quarter, noting that monthly contributions have had a steady incline. During the summer months there is normally a small drop from higher education employees. New enrollments year-to-date are at 846. Peterson explained the catch-up provisions, and final paycheck, temporary work and vacation pay deferrals. Peterson noted that the database center that recently opened had created some additional roll-ins because the employees were terminated with their old employer and re-started with the new employer. They were not able to carry over their vacation pay, but could roll it into deferred compensation. The total number of

rollovers in for this quarter was 160, while there were 85 rollovers out of the plan. In 2006, OSGP has received over \$700,000 in IAP rollovers, and \$1,713,000 in PERS rollovers.

IV. NEW BUSINESS:

A. LifeCycle Funds: Bath stated that LifeCycle funds were brought up two years ago to the Committee, and that she would like to address them again. Bath noted that if LifeCycle funds were added, they would replace the balanced option. Kevin Nordhill would perform a search and ask two or three vendors to come out and give a presentation for OIC and the OSGP manager. Bath noted there are currently 8,249 participants in the balanced option and that more than 8000 have never transferred their money out of that fund. Chair Martushev asked what would happen to the people in the balanced option if the LifeCycle Funds were added Bath explained they could be mapped over to an appropriate LifeCycle Fund, and Nordhill also explained that the participant could chose to allocate their money in the same manner as it was in the Balanced Option. Nordhill stated the first step would be to talk to the Attorney General to be sure there were no legal issues involved with mapping the funds. Nordhill also expressed that education would be very important to this process. Bath brought up pricing, explaining that LifeCycle funds would be more expensive and that participants would pay those expenses if they chose to use the funds. Kast expressed concern on the three layers of administrative fees. Nordhill explained he and Bath wanted to provide the board with the tools to make a decision to move forward. Chair Martushev made a motion to move forward with the process of getting more information to make a decision. Goulard seconded the motion and it carried unanimously.

VI. Audience Participation: Dave Tyler Chief Financial Officer for PERS introduced himself. Tyler attended the meeting in Paul Cleary's absence. Tyler discussed the IAP remediation and answered some questions presented by Committee members.

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

Respectfully submitted,

Denise A Helms

ASSISTANT TO THE DEFERRED COMPENSATION MANAGER