



ADVISORY COMMITTEE MEETING MINUTES

AUGUST 8, 2007

SALEM PERS CENTER

ARCHIVES CONFERENCE ROOM

SALEM, OREGON

COMMITTEE MEMBERS PRESENT

FRANK GOULARD, CHAIR
JASON EVERS, VICE CHAIR
WILLIAM ROBERTSON, COMMITTEE MEMBER
PETER FARRELLY, COMMITTEE MEMBER
JUDY SCALES, COMMITTEE MEMBER
KATHLEEN BEAUFIT, COMMITTEE MEMBER

STAFF MEMBERS PRESENT

GAY LYNN BATH, MANAGER
DAVE TYLER, FSD
DENISE HELMS, ASSISTANT TO MANAGER
KATHY PETERSON, PROGRAM COORDINATOR
JUSTIN NAEGLE, EDUCATIONAL REPRESENTATIVE
JACK SCHAFROTH, LOCAL GOVERNMENT REPRESENTATIVE
HEIDI CONLEY, CUSTOMER SERVICE REP 3

I. INTRODUCTION:

Call to Order by Chair Goulard at 9:30 a.m. Chair Goulard read roll call and then asked for introductions of the newest members. Gay Lynn Bath explained Brain Burleigh was absent. Peter Farrelly introduced himself; he is a regional engineer assistant for DHS Drinking Water Program. Chair Goulard welcomed the new members.

II. APPROVAL OF MINUTES:

Chair Goulard asked for any changes to the minutes from the May 9, 2007 meeting as presented. Chair Goulard then moved to adopt the minutes as presented. Evers seconded the motion, and it carried unanimously.

III. OLD BUSINESS:

- a. **Status of Loan Program:** Gay Lynn Bath explained the loan program went into effect on July 1, 2007. As of the July 31, there were 40 loans totaling \$415,000. All loans are general purpose; there were no residential loans. Bath noted that Kathy Peterson would be including the statistics for the loan program on her quarterly statistics report. Most loans were for state employees, but there were a few from Higher Ed, and one from a local government. Bath and Peterson attended a payroll meeting with the payroll administrators at the end of July to run through the payroll procedures. Bath developed a payroll guide for them, as well as local governments, miscellaneous agencies and Higher Ed. Bath noted the first payments would be due in September.

IV. NEW BUSINESS:

- a. **Life Cycle Funds:** New business was moved forward on the agenda due to traveling restraints with Barclay Global Investors (BGI). Andy Hayes from Treasury presented the Treasury report in Kevin Nordhill's absence. Hayes explained the plan only has one Balanced Fund Option for everyone, whether you just started working or you're close to retirement, and those two different individuals will have different risk profiles. Therefore it is not the best situation for someone who wants to put his or her money somewhere and leaves it. Hayes explained that BGI would be presenting information on its LifePath funds.

Andy Hayes introduced Fredrik Axsater, Head of Defined Contribution Sales and Investment Strategy, James Keagy, Strategic Account Manager, and Tony Shorney, Client Relationship Manager. BGI is one of the largest investment managers in the world with almost \$2 trillion under management. There have 3000 employees. Target date funds are a mini-defined benefit plan. They have the lowest trading costs in the market. He explained that the current cost of our balanced fund is 26.7 basis points while this new Life Cycle Fund is 10 basis points.

Fredrik Axsater shared some highlights of the company. The three unique benefits are the scientific approach that gives consistent results and high participant adoption rates. Flexible offering gives the right investment and communication choices for your plan and institutional quality provides the highest standard of care combined with proven expertise.

BGI constantly monitors its portfolios. These portfolios automatically re-balance themselves. Keagy noted they would bring in a communications person to help with the mapping of the balanced option fund to these new products. Bath explained there would need to be extensive education and communication regarding the mapping of these funds from the balanced funds. Therefore, this process would not be rushed. Chair Goulard noted that he did not want the funds labeled "Oregon Funds." The Committee agreed.

Chair Goulard asked the board for a recommendation to adopt BGI Life Cycle Funds Judy Scales made a motion to recommend BGI to the Oregon Investment Council; Jason Evers seconded the motion, and it carried unanimously.

V. ADMINISTRATIVE REPORT:

- a. **Performance Review/INVESCO:** Andy Hayes from Treasury gave an overview of the past quarter's performance. Hayes explained for the quarter as a whole the equity markets were up; however, during the last two weeks the market has dropped. Hayes noted the economy is good, inflation is low, wage increases are down, and corporate spending is up. Hayes addressed the recent changes in INVESCO, the stable value manager. With the recent staffing changes, it has raised some concern regarding service. Hayes stated that Treasury has performed a search and it is currently looking at bringing Dwight Asset Management Company on Board to replace INVESCO. Hayes introduced Andy Apostol, Senior Vice President of Client Portfolio Management for Dwight. Apostol explained the transfer of companies would be seamless. They are required to give INVESCO a 30-day notice.

- b. **Service Review:** Greg Talbot presented the service review for the last quarter. Talbot noted assets have increased to \$1.03 billion, a 15.66% increase from the prior year. The net cash flow increased from \$7.75 million in the second quarter of 2006 to \$7.81 million in the second quarter of 2007, a \$0.06 million change from the prior year.

Talbot gave an overview of the call center statistics noting that in the second quarter of 2007 the average talk time was 3.43 minutes. The abandoned rate was down from 3.65% from last quarter to 2.27% this quarter. Talbot explained they are trying to reach the goal for the average talk time to 30 seconds.

Talbot noted the assets were over \$1 billion dollars. Talbot highlighted the rollovers; there were 174 rollovers into the plan for a total of \$4 million and 99 rollovers out of the plan for a total of \$5.7 million. Talbot noted 249 people have used the rebalance feature.

Kathleen Beaufait questioned how Edward Jones might be getting participants' information to contact retirees to roll their money out of OSGP. OSGP staff explained that Edward Jones has a high concentration of advertising, billboards, Internet, mailings and multiple offices. They also offer investment advice, which is not offered by OSGP. Dave Tyler from FSD in PERS explained they have recently received approval to add a couple of positions to assist members with their retirement applications. However, the legislators have made very clear that PERS is not in a position to give advice regarding retirement or investments.

Chair Goulard asked Greg Talbot from Citistreet if there was a way to have a pre-recorded message on the customer service line that would let you know how much time on hold you had. Talbot said they do not have plans to add that at this time.

- c. **Local Government Report and Goals for 2007:** Jack Schafroth noted there was one new local government brought on this last quarter. Schafroth explained the total eligible employees are flat-lined due to an adjustment of Portland Community College. They do not extend this benefit to all employees so it affected the total number of eligible employees on the graph. Schafroth noted the total monthly deferral is a little over \$700,000 for local government employees. The newest employer to adopt the plan is Winston Dillard Water District. It has 15 employees and 92 percent participation.

There are 10 new adoptions in progress. Schafroth noted he has been doing a lot of site visits. With PCC alone, he has been on five different campuses with 120 in attendees. Evers asked how often Schafroth is contacted directly by a new local government wanting to adopt. Schafroth explained that they come from referrals, benefits fairs, and from participants who change jobs and their new employer does not have OSGP on board so they help initiate the process. Chair Goulard shared that he attended one of Schafroth's presentations at PCC and he did an excellent job.

- VI. State Status Report and Goals for 2007:** Justin Naegle highlighted the goals from last quarter. The open enrollment workshops are going strong. The brownbag workshops are very popular; Naegle has held 33 this last quarter. Naegle explained that if he has an advocate in the workshop, it helps promote the plan. Naegle received a commitment from both Oregon State and OIT to hold workshops in the fall.

Oregon State Police are hiring, and a number of new employees have signed up on the spot. There is a new corrections facility in Madras and Naegle has been invited to give a presentation. Naegle advised Evers that he is working on getting a spot on the union website.

Naegle addressed the rollouts, noting the biggest setback we have is that participants want us to provide investment advice. Naegle suggest OSGP continue targeted mailings and education of participants.

VII. Plan Update: Gay Lynn Bath noted that a goal of OSGP is to try to get the participant to raise their monthly deferral amount. Bath suggests participants defer a percentage of their pay instead of a set dollar amount, so when they receive a salary increase, it will automatically raise their deferral. CitiStreet is updating its website, it should be complete by September.

VIII. OSGP Statistics: Kathy Peterson introduced OSGP's new employee, Heidi Conley. Peterson gave an overview of last quarter's statistics noting that monthly contributions were up six percent over the first quarter of 2007 and up 9.5 percent from the second quarter of 2006. New enrollments were 568 for the quarter, an increase of 41 percent from the first quarter and 14 percent from the second quarter of 2006. Peterson noted there were one hundred and eighty 50-Plus Catch-Up participants so far this year and thirteen participating in the 3-Year catch-up. Peterson noted there were 366 rollovers in for the year, and 215 rollovers out. The total dollars from rollovers in for the year are up 38 percent over the first quarter and up 24 percent over the second quarter of 2006. To date, 119 IAP rollovers into OSGP have been processed. As of July 1, OSGP has had 42 rollovers out; 30 of them were termed prior to June 2007. Peterson will be adding the loan statistics to the next presentation.

IX. AUDIENCE PARTICIPATION: None

Next meeting will be November 14, 2007 at the PERS office in Tigard.

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

Respectfully submitted,

Denise A Helms

ASSISTANT TO THE DEFERRED COMPENSATION MANAGER