



## **ADVISORY COMMITTEE MEETING MINUTES**

**MAY 9, 2007**

**ARCHIVES CONFERENCE ROOM**

**SALEM, OREGON**

### **COMMITTEE MEMBERS PRESENT**

ROMAN MARTUSHEV, CHAIR  
FRANK GOULARD, VICE CHAIR  
WILLIAM ROBERTSON, COMMITTEE MEMBER  
JASON EVERS, COMMITTEE MEMBER  
JUDY SCALES, 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 called.

### **II. APPROVAL OF MINUTES:**

Chair Martushev asked for any changes to the minutes from the February 14, 2007. Bill Robertson made a motion to adopt the minutes as presented. Chair Martushev then moved to adopt the minutes as presented. Judy Scales seconded the motion, and it carried unanimously.

### **III. OLD BUSINESS:**

**A) Status of Loan Program and Trading Restrictions:** Gay Lynn Bath reported the trading restrictions went into effect on May 1, 2007. Participants are unable to trade more than \$100,000 in one trade, and if they transfer money into a fund, it must stay in that fund for 90 days before it can come back out. So far there have been no questions or calls regarding these changes. The loan program had to be delayed until July 1, 2007 due to payroll implementation. Cleary noted there were also some rule changes in process. Bath explained those changes pertained to loan defaults. If a participant leaves his employment and doesn't pay off the balance of the loan, the loan will be canceled and treated as a distribution. However, if a participant defaults on the loan but remain employed, the balance of the loan will be considered to be a deemed distribution and will remain on the system until paid in full. If not paid, the participant would not be eligible for another loan. There will be hearings for public comment in June. The new admin rule will be adopted at the July board meeting.

#### IV. ADMINISTRATIVE REPORT:

**A) Performance Report:** Kevin Nordhill from Treasury presented the most recent performance report. Nordhill gave an overview of the new look of the reporting format for the report. He explained that not much stood out this quarter in the way of performance. The feds are leaving the interest rate at 5.25. The equity markets were up in the first quarter by about 1.5 percent, the small cap and international have weakened some.

**B) Stable Value Review and Introduction of New Client Relationship Manager:** Kim McCarrell from INVESCO gave an update of the recent changes in the organizational chart. INVESCO lost 16 managers to a competitor on March 23, 2007, two weeks later another 4 people left. McCarrell explained that this did leave the company short staffed; however, it was in the process of transitioning three new people who had come on board in September of last year with excellent fixed income backgrounds. McCarrell announced that Rich King would be coming back as CEO; King previously worked for INVESCO for about six years. McCarrell explained INVESCO was thrilled to have him back, as he is highly regarded in the investment industry.

McCarrell highlighted INVESCO'S portfolio for the last quarter noting the assets were at \$133.7 million. The yield at the end of the quarter was 4.83 percent; up about 29 basis points from a year ago. Bath thanked McCarrell for her years of service with OSGP. This was her last meeting with OSGP as she is retiring.

**C) Service Review:** Greg Talbot and Kim Alger from CitiStreet presented the service review. Talbot noted the assets have increased to \$982.3 million up \$10.9 million from the previous year. The net cash flow decreased from \$7.17 million in the first quarter of 2006 to \$4.28 million in the first quarter of 2007, a \$2.88 million change. Talbot explained this was due to an increase of rollovers out of the plan. Bath reminded the committee that OSGP does send out questionnaires when participants roll out of the plan, and she noted the biggest portion was from people who were retiring.

Talbot gave an overview of the call center statistics. The average talk time was 3.47 minutes, down from last quarter 3.56. Talbot noted they added the percentage rate of abandoned calls to the statistics; for this quarter it was 3.65. These are calls that just hang up or feel they have waited to long. Alger reminded the Committee that in December and January they hired new customer service staff and that calls may be longer until the staff is fully up to speed. Frank Goulard asked if we could get a feature in the automated system that would let the participant know how long they have until they speak to a live person. Bath explained she listens to the customer service phone calls, and the participants have the customer service reps process a lot of transactions that can take a considerable amount of time.

Talbot noted there were 192 rollovers into the plan and 116 out this last quarter. The top five receiving institutions were added to the report. Ron Campana from CitiStreet addressed the rollover situation, explaining the goals on rollouts. Campana explained Edward Jones was the company receiving the largest volume of rollouts. It seems to have a

large market share due to high advertising. Campana's team and Bath are working on a number of projects to target the reasons why people roll out of the plan. A brochure is being developed for the website on reasons to keep your money with OSGP. Campana shared this is a challenge with all of the plans, not just Oregon.

- D) Local Government Status Report:** Jack Schafroth noted that the local government rollovers in exceeded the rollovers out for this month. Schafroth believes part of the reason is because he offers site visits that allow him to meet with the local government groups in a more personalized setting.

Schafroth stated that there are currently 43,000 eligible local government employees. Local government has the biggest opportunity for growth. Schafroth explained his focus is still on getting a larger portion of that 43,000 into the plan. Schafroth noted there were three new adoptions in the first quarter; City of Lake Oswego, Oregon Trail School District and the City of Elkton. There are six more in progress.

Schafroth explained he is scheduling more planning and investment workshops. His goal is to spend 25 percent of his time bringing new employers into the plan, and the other 75 percent working with the current group getting new enrollments and rollovers.

- E) State Status report and Goals:** Justin Naegle gave an overview of the goals for 2007, noting a large number of people are attending the planning and investment workshops. The new enrollments are at 450 for the first quarter. Naegle encourages the people to not let the information they take home just sit; he offers to stay after the workshops and help them fill it out. Naegle is doing more workshops on site, and with the support of the agency managers, he finds it is easier to get in the door.

Naegle explained Higher Ed has changed their 403(b) market and they will be limiting the number of plans available to their employees. He has met with some of the HR managers to allow him to come in and introduce the 457 plan. Naegle highlighted the reasons participants roll their money out of the plan. He explained for the next meeting he would track the reasons why people roll out. Naegle helped design a post card showing how easy it was to save three percent of your salary by illustrating it with a crust of pizza. Greg Talbot brought an example. Naegle handed out a list of the state agencies with the participation levels he has been tracking. Chair Martushev suggested Naegle target the agencies that are having union meetings at lunch, because the participation is usually higher because they serve pizza.

- F) Plan Update:** Gay Lynn Bath highlighted the article on long term investing and the trading restrictions. Bath advertised for the two openings on the Advisory Committee by posting an article in the Plan Update and also by asking state payroll administrators to post an announcement. Bath has received seven applications from different state employees, including ODOT, DHS, Corrections, and Employment so there is diverse pool to choose from. Bath explained the process for filling these positions. Two names will be presented to the PERS Board at its June meeting. Bath discussed the new calculator on the website.

- G) OSGP Statistics:** Kathy Peterson gave an overview of the last quarter statistics, noting monthly contributions were up by 7.35 percent over the first quarter of last year. The new

enrollments are up 23 percent over last year. Peterson noted the catch-up program continues to increase. Since the first of the year there have been 140 new 50-plus catch-up applications. There were 13 new 3-year catch-ups during that same time. Total rollovers in were up 5.49 percent but the dollar amounts were down 11.38 percent. The rollover outs were the same as last year; 160, but the dollars out were 69 percent higher. There were 154 settlement agreements processed, and there were 62 terminations. Peterson will confirm to see if this is due to the amount of retirees rolling out their balance.

## **V. NEW BUSINESS:**

**Election of Chair and Vice Chair:** Chair Martushev opened the floor for nominations for chair. Chair Martushev nominated Vice Chair Frank Goulard for Chair; Bill Robertson seconded the motion, and it carried unanimously. Chair Martushev opened the floor for volunteers for Vice Chair, Jason Evers volunteered. With no other volunteers Chair Martushev closed the floor for discussion, a vote was taken it was unanimous 5-0 Jason Evers for Vice Chair.

Chair Martushev congratulated Frank Goulard on Chair and Jason Evers for Vice Chair. Chair Martushev thanked OSGP staff, CitiStreet, Treasury and the Committee for allowing him to serve two terms for the Advisory Committee. Chair Martushev encouraged the Committee to stick to the course and goals which we have been heading toward, keeping the fees low, staying with the fundamentals of investing, performing due diligence and thoroughly analyzing all options before making any recommendations to the Oregon Investment Council or PERS board. Gay Lynn Bath thanked Chair Martushev for a great job and for being so involved. Bath brought a cake to celebrate the plan reaching one billion dollars and to thank Chair Martushev.

## **VI. AUDIENCE PARTICIPATION:**

None

The next meeting will be August 8, 2007 at the PERS office in Salem.

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

Respectfully submitted,

Denise A Helms

ASSISTANT TO THE DEFERRED COMPENSATION MANAGER