



**ADVISORY COMMITTEE MEETING MINUTES**  
**FEBRUARY 14, 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  
BARRY KAST, 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  
VONDA FAUTH, CUSTOMER SERVICE REP 3

**I. INTRODUCTION:**

Call to Order by Chair Martushev at 9:30 a.m. Chair Martushev asked for introductions.

**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. Goulard seconded the motion, and it carried unanimously.

**III. OLD BUSINESS:**

**A) Status of Administrative Rules:** Gay Lynn Bath advised that the administrative rules for the loan program and trading restrictions were adopted at the January 12 PERS Board meeting. Both rules will become effective on or about May 1, 2007. Bath will provide examples of communication materials on the programs to the Committee. Martushev asked if the board had any questions or concerns regarding the loan program, Bath said they did not, and that the only questions were brought up by university payroll regarding potential payroll issues, such as unpaid leave. Bath explained there were two separate hearings for public comment for the trading restrictions, but that no one attended either one.

#### IV. ADMINISTRATIVE REPORT:

- A) Performance Report:** Kevin Nordhill from treasury presented the most recent performance report. Nordhill noted that last year was a good year for equity markets. While it was a terrific year on the absolute return basis, it was difficult for U.S. equity managers to beat their index. Large cap value held up best. Nordhill said momentum had been a factor. Chair Martushev asked if the Federal Reserve was the reason for the small cap slowness. Nordhill said that the small cap value has been a difficult area for managers.
- B) Service Review:** Greg Talbot and Kim Alger from CitiStreet presented the service review. Alger noted the total plan assets increased to \$959.6 million, which is a \$13.7 increase from the previous year. Alger explained there were a lot of new initiatives in 2006, such as Enterprise Reporting, which will allow Bath and her staff to access information from Sponsor Connect easier than before. A new calculator was also recently added to the website. In 2007, CitiStreet will be enhancing and updating the website to make it more user friendly. Alger expects the enhancements to be complete by August of this year.

Greg Talbot gave an overview of the most recent service review, highlighting the call center statistics. The average talk time was 3:56 minutes, which is up from 3:36 minutes the previous quarter. Talbot explained that more calls come in when quarterly statements go out. Alger noted that management has taken a look at the call center performance and determined they were going to staff the call center with what they call a “positive staffing model.” In December CitiStreet exercised a large hiring and training program for the call center. The new employees started in January, and have proven to be successful as the call volumes exceeded all forecasts. Alger said they are continuing to address any call center concerns. Paul Cleary asked what the abandonment rate was at the call center. Talbot did not have that information, but will provide it.

Talbot noted at the end of the third quarter, the rebalance feature was implemented. There were 85 participants who took advantage of it, and by the end of the fourth quarter, there were 131. Currently, there are 177 participants who have elected to use the rebalance feature. Bath reminded the committee how the feature works, and that reminder letters will be generated before each rebalance takes place.

Talbot noted there were 156 rollovers in and 99 rollover outs. Jason Evers asked if CitiStreet could show what percentage of the rollovers went to the each of the top five institutions. Barry Kast asked if OSGP was receiving IAP rollovers. Kathy Peterson explained that OSGP receives them on a regular basis, and currently have 20 or so pending. The plan currently receives about five rollovers from IAP each month. Barry Kast asked what the performance in the IAP account was, and Cleary said it was 15.1 percent for 2006.

- C) Local Government Status Report and Goals for 2007:** Jack Schafroth stated that as the end of last year, he had been in the local government position for two years. In that time, the local government assets have more than doubled. In addition, since 2004, there are 12,000 new local government employees who are eligible to participate, almost 1000 have joined, and approximately 40 new employers are eligible. Schafroth stated he believed that his site visits and presentations contributed to the increase in assets.

Schafroth gave an overview of 2006-2007 goals. There were 393 new participants for 2006, with a new total of 2318. On the employer side the goal was to add 15 new employers and that goal was achieved. It was his goal in 2006 to process 200 rollovers into OSGP, and the actual number was 129. Schafroth determined it was due to the high number of school districts that came on board and they cannot roll their 403(b) plans into OSGP until they retire or terminate employment. In 2005, 30 percent of the new employers that came on board were school districts; in 2006 that number jumped to 60 percent.

Schafroth noted that in 2007 he will keep the same major focus on his goals; increasing participation, adding new employers, and increasing the amount of rollovers into the plan. Schafroth wants to increase the number of participating employees by 15 percent, for a total of 2700. Schafroth will also increase his number of site visits. Evers asked what it would take to bring Portland Public Schools on board. Schafroth said the larger the organization the more levels there are to go through, but that basically persistence pays off. He would like to spend 75 percent of his time bringing on new employees and 25 percent actively pursuing new employers. Chair Martushev asked Schafroth to add that to his goal strategy. Schafroth said his goal would be to add 15 new employers in 2007, bringing the total number to 180. He would like to capture 150 rollovers into the plan in 2007. Frank Goulard suggested that Jack attend the human resource managers quarterly meetings; he said he would provide Jack with some contact names.

- D. State Status Report and Goals for 2007:** Justin Naegle started with the goals from last year, noting the two main goals were to increase assets and participation in the plan. Naegle explained the workshops and brown bags were very successful. One of the goals was to increase the monthly contribution amount to \$392 per month, but the actual amount at the end of the year was \$372. As for rollovers into the plan, the goal was 500, and he exceeded that goal with 546 rollovers. On rollouts, the goal was not to exceed 264; however, there were 351. OSGP sends a survey with all rollover out requests to try to determine the reason(s) participants roll out. The two main reasons are that they want personal financial advice and their money in one place.

Naegle stated his goals for 2007 were to continue to increase participation and assets into the plan. Naegle handed out a spreadsheet with all state agencies, tracking eligible employees, the percent participating, and the percentage of change since last quarter. This helps him track the increases in participation after he has completed workshops at an agency. Bath noted that she and Naegle would be on the agenda for the state human resource managers' meeting in April of this year. Evers asked if we could send a mailing to participants under age 30, and Bath explained she is working on developing a post card to send this group of people. Goulard asked about auto enrollment or default, and Bath explained that House Bill 2467, introduced by Representative McPherson, is intended to change Oregon law to allow an employer to make a deduction from an employee's wages for contributions to different retirement plans if that employee is given a written notice of the contribution before it takes place without requiring the signature of said employee. This would open the door to auto enrollment for Oregon employers. For state employees, it would take a union decision as well before auto enrollment could be considered.

- E. **Plan Update:** Gay Lynn Bath highlighted the article on fees. Contribution limits increased by \$500 for 2007. Address changes need to go through employers unless they are retirees or local governments and then they can complete an address change form and send it in. The article on updating beneficiary information that ran last quarter generated a lot of phone calls to OSGP. Bath recommended they complete a new form rather than having to provide a written request to see their current one, as a new one will override the current one. Bath reminded the Committee to contact her if they have any suggestions for articles
- F. **OSGP Statistics:** Kathy Peterson gave an overview of the statistics for the last quarter. Monthly contributions were up by \$7.4 million from last year, bringing the year-end total to over \$60 million. Peterson clarified that the statistics on new enrollments are taken in the month of deposit. Total participants at the year-end were at 1682. Evers asked if we could send some kind of communication to the participants that are in the plan but not deferring. Bath and Peterson said OSGP could generate a mailing. Peterson presented the numbers in the catch-up programs.

V. **NEW BUSINESS:**

- A. **Communication Plan for Trading Restrictions and Loan Program:** Bath indicated that the new trading restrictions were posted on the websites. These restrictions will be effective May 1, 2007. Bath received only one call and one e-mail with questions regarding the restrictions. There will also be a communication piece included with the participants' quarterly statements and an article in the upcoming Plan Update. Those participants who are under current restrictions will have a that restriction lifted; however, they will have to adhere to the new restrictions. CitiStreet will be updating their system to prohibit the trades on the front-end.

Bath discussed the loan program. CitiStreet will handle the loan transactions, including any paperwork. Bath has been working with PLLAD and the PERS attorney from the Department of Justice on the verbiage on the promissory note. Bath explained she is working with our contract department on developing a form for the local government agencies that want to "opt out" of the loan program. Bath noted the loan verbiage is on the new enrollment forms. Bath will provide the Committee with any brochures and or communications on the loan program. Bath said the system changes for the loan program will cost less than OSGP was originally quoted.

- B. **Adding Consultant to Plan:** Gay Lynn Bath and Kevin Nordhill from Treasury have been researching the possibility of hiring a consultant for OSGP. Bath has been working with Dave Tyler from PERS to start the RFP process. OSGP would want a consultant that could provide some of the following services; monitoring the plan, development of RFP, assistance with plan design, investment performance reports, technical/retirement services, transition services, reporting, investment consultant services, and fee monitoring. Goulard asked Nordhill who was providing these services now. Nordhill explained that most of the investment work is done by Treasury. He said Treasury sees value in having these types of services provided, as a consultant would have more expertise and more contacts when searching for new fund managers, and consultants specialize in those areas. Chair Martushev asked what the next step would be. Bath said she would keep them up to date. Bath said the consultant fee would not raise costs for participants.

Barry Kast reminded the Committee his term was due to expire in May. Bath explained the procedure for filling his position, also noting Chair Martushev would be ending his second term, and Kathleen Beaufait will be ending her first term at the same time. Bath will be sending out notices to state payroll administrators asking them to post a notice about the opening and will also include an ad in the next Plan Update.

#### **VI. AUDIENCE PARTICIPATION:**

A participant noted that it would be nice to have a variable life annuity for pay out of OSGP funds. Peterson explained currently we do not have that option, and a participant would have to roll outside the plan to purchase an annuity. Kim Alger said CitiStreet has a relationship with a vendor, where the participant has the opportunity to choose an annuity from a variety of different vendors, and she will send information to Bath.

The next meeting will be May 9, 2007 at the PERS office in Tigard.

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

Respectfully submitted,

Denise A Helms  
ASSISTANT TO THE DEFERRED COMPENSATION MANAGER