



**ADVISORY COMMITTEE MEETING MINUTES
FEBRUARY 11, 2009
ARCHIVES BUILDING
SALEM OREGON**

COMMITTEE MEMBERS PRESENT

Frank Goulard, Chair
Jason Evers, Vice Chair
Jon DuFrene, Committee Member
Brian Burleigh, Committee Member
Kathleen Beaufait, Committee Member
Peter Farrelly, Committee Member

STAFF MEMBERS PRESENT

Paul Cleary, PERS Director
Gay Lynn Bath, Manager
Denise Helms, Assistant to Manager
Justin Naegle, Educational Representative
Jack Schafroth, Local Government Representative
Kathy Gannon, Program Coordinator

INTRODUCTION:

Call to order by Chair Goulard at 9:30 a.m. Chair Goulard asked for introductions.

I. APPROVAL OF MINUTES:

The minutes were approved at the end of the meeting when a quorum was present. Chair Goulard asked for any changes to the minutes from the February 11, 2008 meeting as presented. Goulard then asked for a motion to approve the minutes. Beaufait made a motion to approve the minutes. Jason Evers seconded the motion, and it carried unanimously.

II. OLD BUSINESS:

None.

III. ADMINISTRATIVE REPORT:

- a. **Service Review: Administrative Report:** Greg Talbot introduced William Jasien, Government Market Leader, and Harriet Jacobs, Vice President of Business Development, from ING. Jasien gave an overview of ING and discussed how the company was doing in this turbulent market. Jaisen explained he wanted to give us confidence and assurance that ING is managing through this tough storm to the best of its ability, and he felt confident about the outlook.

Jaisen noted the new Chairman of ING is Jan Hommen, who came from the banking and finance industry, and most recently was the CFO and Vice Chair at Phillips Electronics. Hommen is focused on customers and maintaining a diversified business model in 65 different countries with 123,000 employees across the globe. He is focused on expense and risk management.

Jaisen explained the third quarter was the first quarter in history that the company reported a loss. There was also a loss reported in the fourth quarter. The year-end loss will total \$400 million for 2008. Jaisen noted that ING is not insulated from the financial crisis that is going on; when this amount is related to ING's peer group, the company looks quite healthy in terms of its earnings. Jaisen said the competitive peer group has had an average loss of \$8-20 billion. Director Cleary asked what business lines have suffered. Jaisen explained mostly commercial banking, stating the record keeping and retirement services have done very well. Jaisen shared an article from the *Financial Times* talking about the arrangement that was put together by the Dutch Government in terms of the insurance policy around the Alt-A mortgage portfolio, which are a type of loan offered to homeowners with unusual circumstances, such as self-employment. The article referenced that a \$39 billion dollar portfolio of mortgage-backed securities were removed from ING's balance sheet. They will insure the value of this portfolio at 80 percent. This frees up about \$6 billion of working capital that ING can invest back into the business. Jaisen also discussed rating agencies. He noted the current environment is requiring ING to tighten its belt even further so the company plans to reduce expenses by \$1 billion. This equates to approximately 7,000 positions across the globe, most of which will be from its Asian operations. ING has already made cuts in the United States, including 650 positions in early January. No customer service based jobs were eliminated; however, when ING acquired CitiStreet, there were duplicate positions.

Greg Talbot presented the service review noting the U.S. stock market suffered its third-worst year in over a century. The Federal Reserve cut the interest rate seven times during the year from 4.25% to a historic low of 0% to 0.25%. Assets dropped to \$809 million, registering a 12.5% decrease from the prior quarter. The net cash flow decreased from \$11.17 million in Q3 2008 to \$9.49 million in Q4 2008, a \$1.68 million change from the prior quarter.

Talbot highlighted the participant summary that includes the addition of the under 21 group; currently that group is made up of just two people. The December overall monthly average contribution was \$419. Talbot noted there are 23,001 participant accounts in the plan.

Talbot discussed the Transfer Activity by Investment and noted that there was an increase of money moved to the Stable Value, Short Term Fixed and the LifePath options. There were 136 rollovers into the plan, totaling \$1.15 million and 98 rollovers out of the plan totaling \$5.13 million. There were 82 loans issued last quarter with an average dollar amount of \$7,549.

Talbot reported the participant Web site and call center calls increased in October, most likely due to the market and to quarterly statements. The average speed of answer in October was 96 seconds; again due to the high volume generated from the volatile market and statement questions. It dropped in November and December to under 20 seconds.

- b. **Performance Report:** Michael Viteri from Treasury reported the overview of the fourth quarter noting that this 457 plan is not immune to the current market volatility. Viteri explained the fixed income options were the only ones to post positive returns. All retirement plans took a loss in the last quarter. Equity options were negative; down between 20-25 percent across the board. Viteri spoke about asset-backed funds, target date funds, and under-performing fund managers.

Viteri explained that in December he and Gay Lynn Bath had a discussion on different topics they wanted to bring to the committee's attention in 2009; such as target date funds, a brokerage window, and the need for consulting services. The consultant can help with the third party administrator (TPA) services, plan audit services, contract development, procurement, plan design, and dealing with proposed and federal legislation, in addition to the investment services.

- c. **Local Government, Q4 2008 Status:** Jack Schafroth presented the local government report. Schafroth explained there were not a lot of changes from the previous quarter. The monthly average deferral amount went up a small amount. Schafroth explained a large percentage of local government employers do not allow employees to defer a percent of their pay; only a dollar amount. Therefore, when participants receive salary increases, if they are deferring a dollar amount, it will not automatically increase as it would if they were contributing at a percentage. The total dollars into the plan were down from the third quarter.

Schafroth noted there were three new employers added in the last quarter of 2008; City of Dayton, Yamhill Carlton School District, and A.C.E. Academy. There were a total of 11 new employers for 2008. Schafroth explained the school districts are a large part of the new employers. Kathleen Beaufait asked about Portland Public Schools. Schafroth explained the adoption has been pushed back. The school distribute is currently working with Carruth Compliance Consulting, and he will keep the committee posted. Schafroth noted A.C.E. Academy is a charter school. He said he would become more familiar with the charter schools and their programs so that OSGP can get more of them on board. Director Cleary asked how many of the local governments have OSGP as their sole provider. Schafroth said he did not have the number, but was pretty sure it was only about 10-15 percent overall. Schafroth explained that in most school districts we were the only 457 provider, but that most had multiple 403(b) plans.

Bath noted we have responded to a Request for Proposal (RFP) for Lane Council of Governments which is trying to get down to either a dual or sole provider. Currently, they use two other providers plus OSGP. Bath explained that LCOG is happy with OSGP's services, and we are hopeful they will go with a dual provider. Schafroth commented on Clackamas County going with ING and dropping OSGP as a provider. Schafroth has sent adoption documents to 16 new counties. Schafroth's goal for 2009 will be to bring on 25 new employers.

- d. State Goals, Q4 Status:** Justin Naegle presented the state status report. Naegle stated one of his goals last year was to increase workshop attendance by 5 percent; he exceeded that by 15 percent in 2008. The planning and investing workshop was one of the most popular; it covers asset allocation. There was a drop the last two quarters on the first workshop which Justin attributed to the economy. The employees who do come usually all enroll in OSGP. The brown bag workshops onsite are doing well. Naegle attributes their success to the Department of Human Services (DHS). When he started offering the computer based training; the employees at DHS were able to log-in at their worksite. Management decided it was just as efficient to let them attend a meeting, and Naegle has been able to go on-site multiple times. Participation over all agencies is up about 4.2 percent.

Naegle touched on reasons participants are stopping their deferrals, which could include a drop in household income as well as the volatility of the market. Naegle gave an overview of the Oregon University Systems; noting that only 18.84 percent of their employees participate in either a 403(b) or a 457 plan. OSGP has about 5 percent of the participants. Naegle is meeting with the benefits coordinator at Oregon State next week. Naegle will present the “How Much Should I Save” workshop. Naegle is working with the HR Department of the University Systems to educate them on OSGP.

- e. Plan Update:** Gay Lynn Bath shared the highlights of some of the articles from last quarter. One article was to remind participants that they can consolidate their accounts. The administrative rule was updated on the trading restrictions to remove the 90-day restrictions from the funds (excluding the Stable Value), and adding a 30-day restriction to the International Stock Option. The \$100,000 limit stayed in place. Bath noted that OSGP is updating the communication materials to reflect the increase of the annual contribution limit which went from \$15,500 to \$16,500. The Catch-up increased by \$500 as well. Bath brought attention to the required minimum distribution (RMD) rules that were suspended for 2009; in October those participants affected by the new law will be sent communication to remind them to restart their installments for 2010. Kathleen Beaufait asked about new legislation that would endorse a bill allowing participants to use deferred compensation money to buy back the six months waiting time. Bath explained there was a limited bill introduced that gave eligible participants a short time period to take advantage of this opportunity. Participants have to meet the requirements, and it will mostly likely only affect a very limited amount of people.
- f. OSGP Statistics:** Kathy Gannon gave an overview of the fourth quarter’s statistics. Gannon noted there was 655 letters mailed out to RMD participants who are 70 1/2 years old or older advising them that they are not required to take distributions in 2009. To date there have been 342 responses; 206 do not want to take their RMD in 2009 while 136 opted to continue taking their distributions. The default option is to continue the installments. Gannon explained that there has been a considerable increase in participants stopping their deferrals due to the market volatility. In 2007 the total number of canceled deferrals was 338; for 2008 there were 788, 181 in December alone. There were 174 participants who re-enrolled in 2007; in 2008 there were 153. Monthly contributions increased, but new enrollments were down about 15%. The number of active participants

Chair Goulard asked how the decrease in assets would impact the plan. Bath explained it would affect the administrative fees paid to OSGP and ING, as the fees are assessed on the assets in the plan.

- g. New Business:** Bath told the committee that OSGP was a finalist for Plan Sponsor of the Year in *PlanSponsor Magazine*, and the staff was having their photograph taken after the meeting.

IV. **Audience Participation:** None

V. **Adjournment**

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

The next meeting will be on May 13, 2009 in Tigard.

Respectfully submitted,

Denise A Helms

Assistant to the Deferred Compensation Manager