



ADVISORY COMMITTEE MEETING MINUTES
February 9, 2011
ARCHIVES BUILDING
SALEM OREGON

COMMITTEE MEMBERS PRESENT

Peter Farrelly, Chair
John Lattimer, Vice Chair
Brian Burleigh, Committee Member
Sharlyn Rayment, Committee Member
Priyanka Shukla, Committee Member
Keith Baldwin, Committee Member

STAFF MEMBERS PRESENT

Jon DuFrene, PERS
Gay Lynn Bath, Manager
Denise Helms, Assistant to Manager
Karen Blanton, Educational Representative
Jack Schafroth, Local Government Representative
Kathy Gannon, Program Coordinator

INTRODUCTION:

Call to order by Chair Farrelly at 9:30 a.m. Chair Farrelly reminded the Committee Justin Naegle is now with ING.

I. APPROVAL OF MINUTES:

Chair Farrelly asked for any changes to the minutes from the November 10, 2010 meeting as presented. Chair Farrelly then asked for a motion to approve the minutes. Keith Baldwin made a motion to approve the minutes. Sharlyn Rayment seconded the motion, and it carried unanimously.

II. OLD BUSINESS:

None

III. ADMINISTRATIVE REPORT:

A. Q4 2010 Service Review: Carol Cann, Marcy Loomis and Brian Merrick presented the fourth quarter service review.

Priyanka Shukla asked for an update on the sale of ING; Merrick explained there were no changes since the last time we met.

Carol Cann gave an overview of the last quarter's plan activities. Cann noted the assets are at \$1.145 billion; an increase of approximately 13 percent from 12-31-10. The current plan composition consists of 23 percent in the LifePath® and 16 percent in Stable Value. The loan fund equals \$7.03 million, representing less than 1 percent of the total Plan assets. There have been 1,322 loans issued since the loan program

was added in 2007. The average loan balance is \$9,046 and 6 percent of active participants have a loan. The cash flow is still positive at \$1,168,857 which is down from September, mostly due to year-end processing; year-end installments and distributions. Chair Farrelly asked if they could separate the source of the new cash flow between earnings and contributions.

Cann shared some plan observations; the average monthly deferral decreased slightly from \$397 to \$393 since September 2010, the average participant balance increased from \$46,581 to \$49,640, and the LifePath Options had the largest positive transfer activity. Approximately \$12.5 million transferred into the LifePath funds during the fourth quarter of 2010. The Stable Value Option had the largest transfer out activity; \$7.1 million. Vice Chair Lattimer asked if some of the current senior workforce is asked to retire early what kind of effect would that have on our plan. Marcy Loomis explained that they would be meeting with Gay Lynn on this later today. This is something they are definitely going to focus on through education and training. Merrick noted the age group 55 and over is the largest group in our plan. Merrick also said that this age group is not just Oregon but nationwide in all plans. Merrick explained one of the services that ING has been working on is called "Transition Counseling" which is for people who are nearing retirement or already retired, explaining the benefits of staying in the plan. Bath explained that OSGP talks to people who are retiring to let them know they can roll their IAP account into OSGP. In 2010, 263 people rolled their IAP account into OSGP for a total of \$6.6 million. Mike Viteri asked what the opportunity set was; DuFrene shared the total percentage of IAP rollovers into OSGP was 5.4 percent. Vice Chair Lattimer noted the 'selling' of the opportunities of what OSGP has to offer is very important. Marcy Loomis explained targeted marketing, the workshops, and transition counseling are all good ways OSGP has available to educate and communicate to participants.

Marcy Loomis shared some new ING enhancements. The new webpage "Participant Connection" was launched during the second week in January. This website is designed to provide interaction for participants, such as education, on-line seminars, and message boards. There have been 500-750 hits/visits per week. The short-term plan is to have this site be the landing page. Loomis explained ING and Gay Lynn Bath are in the process of doing a makeover of the participant materials; Loomis brought examples noting they wanted to give the materials a new look and freshen up the materials. One plan is to streamline the enrollment kit into an interactive format on-line to make enrollment easier for the participant.

Brian Merrick gave an overview of the Plan Sponsor Experience sharing the results to a survey given to Plan Sponsors. Overall satisfaction remains similar to 2009; high scores were for account services, DC plan administration, and also for communication tools for employees. There are several new videos currently in production with topics around participant testimonials, diversification, and compounding. This information will be available in English and Spanish. Another new feature will be the Fund Price Account Value Charts. There will also be new calculators available and an iPhone application in the first quarter of 2011. Merrick

noted they would be conducting a survey that will help measure quality and customer satisfaction.

B. Q4 2010 Performance Report/Presentation on Self-Directed Brokerage Account (SDBA)/LifePath Strategy Enhancement: Mike Viteri, Treasury and Jake O'Shaughnessy and Howard Biggs with Arnerich Massena, provided the fourth quarter performance results. Viteri noted that on March 30 BlackRock would be adding a commodities asset class and it would not change the structure, but is expecting to see improvement in overall diversification. Jake O'Shaughnessy gave highlights of the funds' performance noting they were doing a nice job with low cost exposure. Howard Biggs explained Gay Lynn Bath did a survey regarding self-directed brokerage accounts and 4200 people responded; of those 84 percent would like to have one added. Biggs also noted less than 5 percent use a self-directed brokerage option; however, it is normally a very vocal group who does. Chair Farrelly thanked Jake and Howard for their work in getting Charles Schwab retained.

C. Plan Update/Roth 457 Update: Gay Lynn Bath shared information on the progress of the Roth 457 noting that Chair Farrelly tried to get SEIU to help draw up a bill. Chair Farrelly explained that SEIU was not able to do so as they have many other priorities. Chair Farrelly said he was going to explore other options. Bath noted that the PERS board does not have any concerns or comments about this bill. Bath said she will also do some research.

D. State Q4 2010 Status: Karen Blanton the new Educational Representative for OSGP gave the fourth quarter report. Blanton explained the main goal is still to increase participation. The 2010 attendance goal for workshops was 2,106; actual attendance was 2,441. Blanton explained she had a workshop here in Salem and 38 people attended. Blanton noted she had a couple of ideas to increase participation; first by attending regional staff meetings where the managers are meeting in our outlying areas and complete as many on-site workshops as possible. Blanton said she has spoken to human resource personnel and they say our paperwork gets buried in a barrage of new hire information they give out.

Justin Naegle joined Karen, explaining the first workshops Karen completed in Portland were a huge success. Before they got back to the office there were emails applauding her performance and some were ready to schedule more meetings. Naegle explained Karen has done a great job going through the application and explaining the options, also noting we would like to sign up these participants at the workshops. Naegle said if we get their email address, we can track them to see if they have signed up or not. If they have not signed up in 30 days, OSGP could send them a note or email asking if they have other questions.

Blanton explained she would like the workshops to be more interactive. By taking the forms out of the packet and actually completing/calculating the figures with them they are much more interested when they see how easy it is to sign up. Their biggest challenge is where to put the money; the second workshop answers those questions for them. Blanton said the retirement class had standing room only. Participants are concerned about their IAP accounts and PERS. Blanton said the word is getting out about OSGP, and participants have a lot of questions regarding the Roth, and Senate Bill 399 which allows participants to transfer OSGP funds to PERS for purchase of permissive service. Blanton and Naegle will be working on developing a new DHS seminar to include catch-up provisions and retirement through iLinc as Naegle explained that DHS does a lot of their training through iLinc. This works well as employees of DHS can sit in on the workshops during their workday.

E. Local Government Q4 2010 Status: Jack Schafroth summarized his three major goals for 2010. First, to increase enrollments 20% over 2009; the goal for 2010 was 350, and the actual for 2010 was 245. Second, to add 15 new employers; this was goal was achieved. Schafroth noted that with Naegle coming on board he can do more cold calls and employer meetings. And third, to complete 150 rollovers; there were actually 184 completed.

Schafroth's goal for 2011 will be to increase new enrollments by 25%, and to bring on 25 new employers. Schafroth's goal for rollovers in to the plan will go from 184 to 200. Schafroth noted that Naegle also has goals with ING, and they will compliment each other. The overall monthly deferral has increased for December 2010 to \$1 million. Schafroth explained the adoption process can take up to two months or longer. Keith Baldwin wanted to know if Schafroth was tracking the results of his adoptions once they have been implemented to make sure people are actually enrolling and receiving onsite training. Schafroth said he would track this information.

F. Q4 2010 Plan Statistics: Kathy Gannon shared the fourth quarter statistics, highlighting the overall statistics from 2009-2010. The monthly contribution stayed about the same; new enrollments were up 14 percent, and actively contributing participants are up 9 percent. The loans issued are up about 18 percent. The unforeseeable emergencies were up 36 percent. The good news is that rollovers in were up 18 percent. However rollovers out were up 19 percent. Gannon explained we had 263 IAP rollovers in, for a total dollar amount of \$6.5 million. The PERS rollovers in 2010 were a little over \$2 million. Sharlyn Rayment inquired as to the main reason dollars were rolled out of the plan. Naegle explained participants often know someone in the investment business or they want more personal service such as advice. Brian Merrick explained ING offers this service, and he said he would get some more information on financial advice to OSGP manager.

IV. NEW BUSINESS
None.

V. Audience Participation:
None

VI. Adjournment: The next meeting is May 11, 2011 in Tigard.

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

Respectfully submitted,

Denise A Helms
Assistant to the Deferred Compensation Manager