



**ADVISORY COMMITTEE MEETING MINUTES  
FEBRUARY 10, 2010  
PERS SALEM CENTER  
SALEM OREGON**

**COMMITTEE MEMBERS PRESENT**

Jason Evers, Chair  
Peter Farrelly, Vice Chair  
Bob Swank, Committee Member  
Keith Baldwin, Committee Member  
Brian Burleigh, Committee Member  
Kathleen Beaufait, Committee Member  
John Lattimer, 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 Evers at 9:30 a.m. Chair Evers asked for introductions.

**I. APPROVAL OF MINUTES:**

Chair Evers asked for any changes to the minutes from the November 18, 2009 meeting as presented. Kathleen Beaufait noted she was not in attendance at the last meeting. Chair Evers then asked for a motion to approve the minutes as corrected. Kathleen Beaufait made a motion to approve the minutes. Bob Swank seconded the motion, and it carried unanimously.

**II. OLD BUSINESS:**

None

**III. ADMINISTRATIVE REPORT:**

- a. **Q3 Service Review/ING Update:** Bill Jasien, Kim Alger and Carol Cann from ING presented an update on ING. Cann summarized The Hearts and Minds of Retirement Investors survey. Convenience, Choice and Control are themes that resonate with retirement plan investors, and 84 percent say the plan is “very important.” Some of the other highlights were: 99.4 percent feel the best way to save is through automatic payroll deductions, and they appreciate the ability to choose how and where they will invest within these plans. More than a third reported moving to a more conservative asset allocation. 20 percent of participants are invested in one fund and 59 percent have a portion of their balance invested in target date funds. Nearly 40 percent reported they had recently joined an employer’s plan or increased their contributions

to an employer's plan, while less than 30 percent reported stopping or reducing contributions. Only 5.4 percent reported taking a loan from their plan, and the ability to take a loan is among the least valued features of defined contribution plans. Only 2.4 percent took a loan and 6 percent took a withdrawal from the plan.

Cann noted the plan assets are at \$999.4 million, which is a 19 percent increase from December 31, 2008. Small/Mid Size Company Stock Option represents 12 percent of the Plan assets, while the Stable Value Option represents 18 percent of the Plan assets. The loan fund equals \$5.66 million, representing 1 percent of the total Plan assets. The loan fund has increased by 33 percent since December 31, 2008. There were 369 loans issued in 2009, and the average loan balance is \$9,294. The average monthly deferral decreased from \$419 in December 2008 to \$406 in December 2009. Despite the economic downturn, net cash flow continues to be positive at \$8.06 million. Cann noted one of the goals for 2010 was to increase participation.

Cann noted the average account balance industry wide is \$32,609; OSGP average balance is \$43,494. Chair Evers asked if they could put the average balance per age group back in the asset class graph. Pete Farrelly asked if ING could make the color more consistent in the graph on page 13.

Ron Campana, head of government marketing and participant education at ING, explained that ING is taking a fresh look at their services and products. Campana shared they were doing a lot of research with the plans and participants. In April of this year they will conduct a broad-based survey of government workers and public sector workers through on-line and phone surveys. There will be certain questions that will actually trigger an on-line chat. It will not be based on ING's agenda, but strictly on government based plans. They will be asking about likes and dislikes, and asking participants how they want to be communicated to. They want to find out what makes people do the things they do. They are changing their marketing strategies. One of the things they have found is that it is that enrollment is not convenient for them. ING has a new program called Easy Enroll wherein ING sends a postcard to eligible employees. A default fund is chosen by the Plan Sponsor, and the participant only has to check the box, choose a deferral amount or percentage, sign their name fold the card and mail it in. In seven test groups, they found a 20-25 percent return.

Campana shared that ING has created a stakeholders website for some clients to help them access information automatically. ING wants to bring the education piece to the forefront. They have developed a micro-site that is strictly for communication and education in real time. ING can build these sites for each client. Campana noted that younger people do not want emails, but would like them to post updates on special networking sites such as FaceBook and Twitter.

Campana expressed the biggest gap is with retirees; they need support, so how do we communicate with them? Plan information is mostly directed to active participants, but very little is available for retirees. To address this issue, ING created the

Association for Public Sector Retirees. This is a group much like AARP. They have special speakers and information available for retirees. It gives them somewhere to go with questions regarding their retirement money. Beaufait reminded Campana that a lot of retirees do not use computers. Campana said this information is also available by mail for participants who choose not to access the web. Lattimer expressed the ING/OSGP website is extremely difficult to navigate. Campana said they are aware of this and are recreating the website and finding new ways to communicate. There will be ongoing new releases throughout 2010.

Bill Jasien, who runs the government market for ING, reported what ING is doing as a corporation. Jasien commented on ING's Institute for Retirement Research. They are trying to figure out what makes people tick; find out why they want to participate in this type of plan. Jasien said young people do not want to talk about retirement, but they do want to talk about the future. They are finding through lab studies that fear is sometimes the trigger that makes people contribute.

Jasien shared what is currently happening in the marketplace, and what is coming in the future. There is a lot of competition from other companies continually trying to get participants to roll their assets into their plans. Customers have expressed the need for advice services. Jasien explained ING is working on a strategic plan for optimizing the services they can provide. They have launched a client advisory council which is a group of their largest customers; Gay Lynn participates in this. At each meeting, a different customer profiles their plan. This is a great opportunity for the largest customers to share ideas and questions.

Jasien ended by giving a status report on ING's upcoming split with its banking side, noting they were making progress. They will be the sixth largest insurance company and asset manager in the world, operating in 40 different countries. They have separated themselves from the corporate entity at headquarters and will be moving aggressively down the IPO path to formalize their independence from ING. Jasien explained this would get them away from the banking business, leaving management in place and maintaining their position in the marketplace. Currently they have 59 plans, 10 million participants and \$307 billion in assets. Jasien announced that the rebranding for the company would be completed by the end of 2013.

- b. **Q3 Performance Report:** Mike Viteri, Treasury, Jake O'Shaughnessy and Howard Biggs from Arnerich Massena presented the performance report. Viteri noted that since the October of 2007 high, the Russell 3000 is still down 24 percent. The S&P to date is down 4 percent. There has been a significant bounce back. Growth stocks outperformed value stocks, with the Russell 1000 Large Cap Growth index posting the best capitalization/style performance. US Equity Market continued their 2009 year-end rallies. Emerging markets, up 95.79 percent though September 30, 2009, with year-end returns of 78.51 percent. In US fixed income markets, US Treasuries were the worst performing market sector for the quarter, as a result of investors rotating out into riskier assets causing a sell-off in Treasuries. No funds have been

placed on a watch list status at this time. The Short-Term Fixed Option posted a return of -0.02 percent underperforming its benchmark by 0.06 percent. Stable Value posted a return of 0.51 percent. The Intermediate-Bond Option posted a return of 1.15 percent. The Large Cap Value Equity Option posted a return of 4.41 percent. The Stock Index Option posted a return of 5.84 percent. The Large Cap Growth Equity Option posted a return of 8.16 percent. The International Stock Option posted a return of 2.54 percent and the Small/Mid Cap Equity Option posted a return of 4.95 percent.

Howard Biggs and Jake O'Shaughnessy of Arnerich Massena gave an economic and market environment overview for 2009. They reviewed the performance of all asset classes. They noted assets in the plan are almost back to \$1 billion dollars. Allocation of plan assets include one third in money market/stable value, one fifth in target date funds and one third in equities.

- c. **RFP Update/Plan Update:** Gay Lynn Bath gave an update on the RFP process. Bath explained Keith Kutler, the DOJ attorney for PERS, reviewed the RFP and has sent it back to Contracts to be finalized. Bath said it would be the first part of March before it is released.

Bath highlighted some of the articles in the Plan Update this quarter. One article outlined the Unforeseeable Emergency provisions, explaining to participants how they work. In addition, there was information on the deferral limits which did not change this year. Bath asked the committee to let her know if they would like to see an article on any specific topics.

Bath noted she was working on scaling down the enrollment package. Bath explained she sends out a Welcome postcard to new state employees to let them know about OSGP. John Lattimer asked Bath to explain why auto enrollment can not happen, and it was explained that Oregon has payroll laws that require employee signatures before money can be taken out of paychecks. Bath sat in on a legislative meeting the last time a bill was introduced regarding this issue, and she said it did not even make it out of Committee. Beaufait offered to go to the coalition about this issue.

- d. **State Q4 Status/2010 Goals:** Justin Naegle shared the highlights of his 2010 goals. Naegle said his two main goals are to increase participation and to increase assets in the plan. Naegle asks the question, "Why are people saving?" Usually it's because their parents or co-workers have suggested they go to his workshops. Naegle suggested that an easier enrollment process would help. Human Resource departments are starting to help with this process as a way to retain employees. They allow Naegle to come in and present his workshops on lunch hours and other times during the work day. Naegle noted that when he sees the new recruits at state police, the employer encourages them to sign up. When Naegle presents his "How much should I save?" workshop, people attend voluntarily.

Naegle plans to do an additional 150 brown bag seminars this year. Paul Cleary asked if there was a strategy to get the participants who are no longer deferring to re-start, as there are over 3,000 participants in that category. Would it be possible to offer a survey? Naegle explained it is most likely due to their household budget dropping; maybe a spouse has lost a job or has to take furlough days. Kim Alger said they can work on some kind of communication to send to this group.

- e. **Local Government Q42009/2010 Goals:** Jack Schafroth noted the number of total eligible number of employees is going up as we add new employers. Current enrollment is now at 7 percent. There are currently 193 employers. His goal is to hit 200 employers in 2010. The average monthly deferral is close to \$1 million dollars. Chair Evers asked if we lost a county, and Schafroth reminded the Committee that we did lose Clackamas County. Schafroth noted there were 10 adoptions in process. There were two new adoptions in the fourth quarter; Gladstone School District and Hermiston Fire and Rescue. Schafroth explained he is a member of Special Districts Association of Oregon (SDAO). Schafroth explained the adoption paperwork process. Farrelly asked if the adoption kit could be streamlined. Schafroth explained it is actually a contract so a lot of the information has to stay intact.

Schafroth shared that his goals for 2010 are to increase participation by 10 percent by adding 325 new participants. Schafroth noted there are currently 13 local governments that have adopted the plan, but they have zero participation. He is contacting each one to try to determine why they are not participating. He will share his findings at the next meeting. Schafroth would like to bring on 20 new employers for 2010. The big focus will be on the employees. The last goal is to increase the number of rollovers-in to the program from 150 to 200.

**Plan Statistics:** Kathy Gannon highlighted the fourth quarter statistics. Gannon noted there was a mailing for the required minimum distribution participants regarding restarting their distributions after the 2009 exemption. OSGP sent out 898 letters to participants over the age of 70½, advising them to respond regarding 2010 distributions. This generated over 200 phone calls and 289 forms being returned. Monthly contributions were down from Q4 2008 by over 6 percent. Higher Ed was up 5 percent. The loan program had a 2 percent increase but the average loans are still at around 30 each month. The rollover-in dollars were down about 42 percent and the rollover-out dollars were down 20 percent. There were 131 IAP rollovers in for 2009, totaling over \$2 million dollars, and 29 rollovers came in from PERS, totaling a little over \$1 million.

#### IV. NEW BUSINESS

None

**V. Audience Participation:**

Kent Morris with Great West Life and Diana L. Baccellieri Carlson, with Nationwide introduced themselves.

**VI. Adjournment:** The next meeting is May 12, 2010 in Tigard

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

Respectfully submitted,

Denise A Helms

Assistant to the Deferred Compensation Manager