



ADVISORY COMMITTEE MEETING MINUTES
May 18, 2011
PERS HEADQUARTERS
TIGARD OREGON

COMMITTEE MEMBERS PRESENT

Peter Farrelly, Chair
Keith Baldwin, Committee Member
Priyanka Shukla, Committee Member
Sharlyn Rayment, Committee Member
Bob Swank, 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.

I. APPROVAL OF MINUTES:

Chair Farrelly asked for any changes to the minutes from the February 9, 2011 meeting as presented. Chair Farrelly noted Jon Lattimer's name was misspelled and Shukla noted on page 2 that the loan fund should read less than one percent of the total plan assets. Chair Farrelly then asked for a motion to approve the minutes. Keith Baldwin made a motion to approve the minutes. Priyanka Shukla seconded the motion, and it carried unanimously.

II. OLD BUSINESS:

None

III. ADMINISTRATIVE REPORT:

- A. Q1 2011 Service Review:** Carol Cann, Marcy Loomis, Justin Naegle and Wendy Young Carter presented the first quarter service review. Wendy Young Carter introduced herself; she is one of six Strategic Client Relationship Directors in a recently formed strategic client relationship unit. The goal of this unit is to improve the service and the assistance that ING provides to plan sponsors.

Carol Cann gave an overview of the first quarter's plan activities. Cann noted the assets as of March 31, 2011 are \$1.189 billion; an increase of approximately 12 percent from the same time last year. The current plan composition consists of 23 percent of the assets in the LifePath® funds, which has remained fairly

consistent, and the Stable Value Option holds approximately 16 percent of plan assets; last year at this time it was at approximately 23 percent. The loan fund equals \$7.15 million, which consistently remains at less to one percent of the total Plan assets. There have been 1,416 loans issued since the loan program was added in 2007. The average loan balance is \$6,361 and six percent of active participants have a loan. The cash flow is still positive at \$7,122,327.

Cann shared that 22 percent of participants are invested in one fund only, The Small Mid-Size Company Stock Option is popular; 51 percent of the participants have a portion of their balance invested in this option, while 35 percent of participants are invested in the Stable Value Option. The average monthly deferral increased from \$411 to \$425 since March of 2010 and this increase is across all age groups. The average participant balance also increased from \$43,660 to \$51,538. The LifePath® Option had the most activity with transfers in; approximately \$14.4 million during the first quarter of 2011. Most of those dollars were from the Stable Value Fund which had the largest transfer out activity at \$10.4 million.

Keith Baldwin asked why participants would keep their money in the Short-Term Fixed fund which has had minimal, if any, returns over the last year. Naegle responded by saying some participants do not want to take a risk, and they are just happy with their money not losing anything. Naegle explained we need to educate the participants on what the Short-Term Fixed is designed for; which is basically a holding account as you transition from one fund to another. Chair Farrelly asked if the earnings and contributions can be separated on page 6.

Marcy Loomis said that the new Participant Connection web site is up and running. Since it has launched there has been about 13,000 visits. This page will be a source for communication and education. Participants will have access to quick links such as the “enroll now” button, account information, forms and publications. We can add more features if anyone has any suggestions. Loomis explained they have been very busy redesigning all of the materials with the new branding. Loomis thanked Gay Lynn for her help and patience in this project. Loomis explained they are rolling out a best in class approach using a hire to retire concept. They are also working on transition counseling, targeted marketing, and other projects.

Wendy Young Carter gave an overview of the web redesign. Carter explained ING has spent the last two years doing a holistic web redesign project. ING hired a consulting firm to find the best and latest information and then came up with a new home page approach which was implemented last September. In March of this year there were more additions, including a monthly income estimator; which allows participants to quickly determine what their account balance will give them at retirement. There are also an account value chart and historical fund graph, and more changes are coming. ING’s goal is to give

people actionable information, make it engaging, and also make it crisp and fresh. Loomis reminded the Committee that they welcome any feedback they might have.

Justin Naegle shared what he has been doing on the local government and state programs. He has been working on the multicultural financial literacy workshops and webinars. Naegle is excited about all the tools ING has to offer our program. The first is Multicultural Financial Literacy Workshop will be in the Archives conference room on June 7. The first presentation will be in English and the second one in Spanish. They will be expanding these workshops throughout the state every quarter. Naegle explained the importance of the webinars and how many people they can reach. Participants are seeking information and this is a great way to provide the latest hot topic to them. Naegle explained the webinars can be performed in the evenings and weekends. The Participant Connection will be a great way to notify participants of upcoming webinars. Shukla will provide Naegle with information regarding Multilingual Policy Group. Loomis explained they have a Multicultural group who has capabilities to provide information in different languages.

Wendy Young Carter gave an update on ING initiatives. ING had a good first quarter financially. They are proceeding on the spin-off which is scheduled to occur in the first or second quarter of 2012. The Strategic Client Relationship group is one of ING's newer developments. ING surveyed their clients on their performance and the surveys were positive but there were areas they needed improvement, such as meeting the customer's fiduciary responsibilities, being an innovative provider of educational and financial services and also helping employees save for retirement. ING has created a group of six people to serve as Strategic Client Relationship Managers to provide information, advice and help with legislative initiatives. Carter explained she will be available to help with our strategic priorities.

- B. Q1 2011 Performance Report/Presentation:** Mike Viteri, Treasury and Jake O'Shaughnessy with Arnerich Massena, provided the first quarter performance results. Viteri noted that effective March 30, 2011, BlackRock started offering commodities in their LifePath® Funds. Viteri discussed other upcoming fund changes, and said that Keith Kutler, at the Department of Justice is reviewing new contracts with the providers. Viteri said the new funds should be in place by the end of June or first part of July. Bath noted there were some administrative rules that needed to be updated and approved regarding the Self-Directed Brokerage Option (SDBO) and that the final approval of those rules would take place at the PERS board meeting in July.

Jake O'Shaughnessy gave an overview of 2011 first quarter's performance report. O'Shaughnessy noted that they will start including the "DC Solutions" a retirement plan resource newsletter in their report. He highlighted some of the articles.

O'Shaughnessy commented that inflation slowly coming up. He gave an in-depth report on the current economy. The import prices were up double digits. Employment and housing are still down. The United States as measured by the S&P 500 was up about 5.9 percent for the first quarter. There has been a 20 percent growth in Plan assets over the past 18 months.

- C. Plan Update/Roth 457 Update:** Gay Lynn Bath noted the SDBO from Charles Schwab would be available for participants at the end of July or beginning of August. The Roth 457 is sitting on a PERS housekeeping bill and has not come up for a hearing. When it does happen, we will look for implementation in 2012. Bath talked about Required Minimum Distributions (RMD) that are required in the Roth 457. She said that in her trips to Washington, D.C. with the NAGCA Board, they had been meeting with Treasury and counsel for Ways & Means and the RMD discussion has come up several times. Another issue that has come more than once is the simplification of the defined contribution plans. The 457 has unique features that we do not want to give up, primarily the three-year catch up provision and the exemption from the 10 percent penalty upon early withdrawal. Bath shared some of the articles in the quarterly newsletter.
- D. State Q1 2011 Status:** Karen Blanton highlighted her 2011 goals. Her primary goal is to increase attendance in the workshops; the goal was to have 640 in attendance and the actual number was 677, which is an increase of 5.5 percent. The new enrollments goal was 65 percent, and the actual was 67 percent. The average monthly deferral goal was \$383, and the actual was \$419, up 15 percent. The biggest increase was in Higher Ed where the enrollment goal was 14 new enrollments, and the actual was 19. Blanton noted Naegle will be introducing her to the Human Resources staff at Oregon State University and Portland State. The goal for rollovers-in was 110, and the actual was 136. Blanton explained that in her retirement sessions there are a lot of questions regarding the IAP account. She said PERS is doing a good job letting participants know they can roll their IAP into OSGP when they retire.

Blanton explained that she was able to sit in on a Statewide Human Resource manager meeting this quarter. This provided her with the opportunity to promote the brown-bag seminars and it has had very positive results. Blanton's next goal is to send an e-mail to all who attended. She has implemented a new training session through Netlinks next month. They will start with three retirement sessions and see how they go. Blanton noted there have been a lot of comments on financial uncertainty with the current economic situation, so she has capitalized on that to let people know they should be saving for the future. Blanton shared with ING that there has been a lot of positive feedback on the new website.

E. Local Government Q1 2011 Status: Jack Schafroth gave the local government update. Schafroth noted the percent of participation is increasing slowly. He would like to see us achieving the 10 percent range by the end of this year. With the addition of Justin he thinks this should be attainable. The enrollments have more than doubled from the first three months of 2010. Schafroth explained the face-to-face meetings are very important with local governments. The total assets are just under \$100 million. Schafroth said he is trying to get participants to maximize their benefits. He tells them to start as soon as they can, put in as much as they can, and increase as often as they can. Schafroth said there were three new employer adoptions in the first quarter and eight are pending. Schafroth explained Vice Chair Lattimer had given him a contact at the Oregon Associations of Counties, but he is still waiting for a response back.

F. Q1 2011 Plan Statistics: Kathy Gannon explained that a link was not working on her spreadsheet and so the numbers were not correct. Gannon will provide a corrected spreadsheet and have Denise email it to the Committee. Gannon noted there was an improvement in enrollments over 2010. Gannon shared the average number of loans is 35 per month.

IV. NEW BUSINESS

None.

V. Audience Participation:

None

VI. Adjournment: The next meeting is August 10, 2011 in Salem.

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

Respectfully submitted,

Denise A Helms
Assistant to the Deferred Compensation Manager