
Oregon Retirement Savings Board
MINUTES
September 20, 2016

Board members present:

Chair, Treasurer Ted Wheeler
Kara Backus
Senator Lee Beyer, by phone
Kevin Jensen
Representative Tobias Read
Juanita Santana
Cory Streisinger

Oregon State Treasury staff present:

Kristin Dennis, Senior Policy Advisor
Lisa Massena, Executive Director, ORSP
Alex Nelson, Project Manager
Jen Peet, Director of Legal Affairs
Tom Rinehart, Chief of Staff
Missy Simpson, Executive Assistant
James Sinks, Communications Director

The Oregon Retirement Savings Board meeting was called to order at 9:00 am by Treasurer Ted Wheeler, Chair.

Agenda Item 1 – Approval of the minutes of the July 19, 2016 meeting of the Oregon Retirement Savings Board (ACTION ITEM)

Board Action

Motion to approve the minutes of the July 19, 2016 meeting of the Oregon Retirement Savings Board.

MOTION:	Juanita Santana	SECONDED:	Kevin Jensen
ACTION	Motion Passes		

Minutes from the Board conference call on August 24, 2016 will be provided at the October Board meeting.

Agenda Item 2 – RFP – Plan Service Provider: (ACTION ITEM)

Ms. Massena presented a Proposal to Issue Plan Service Provider RFP, stating that the Plan Service Provider is required ahead of Plan launch in 2017. This organization will be responsible for providing plan administration, recordkeeping, access to investments, and related participant and employee/employer services to the program. Massena advised that if the proposed motion passed, the RFP would be published as soon as the next day, and not later than the end of this week. Treasury staff proposed the ORSP conduct a procurement using competitive sealed proposal methods.

The evaluation team includes members of the ORSP staff, one member of the ORSP board, one member of the investment division, a representative of a similar state-sponsored plan, and the team will be taking expert input from the Board's consultant, Segal Company during the process.

Board Action

Motion to authorize executive staff to issue the RFP for the Plan Service Provider.

MOTION:	Kevin Jensen	SECONDED:	Cory Streisinger
ACTION	Motion Passes		

Agenda Item 3 – DOL Safe Harbor Rule and Legislative Environment: (INFORMATION ITEM)

Kristin Dennis, Policy Director, gave the Board an update on the Department of Labor’s Safe Harbor rules. Ms. Dennis gave the Board a background of the DOL’s rules and some of the changes that were made in the new report.

- **Ability to Experiment:** Includes language expressly allowing states to experiment with other programs or arrangements that are consistent with the guidelines in the safe harbor.
- **Ability to Choose Investments and Control Leakage:** Removes the condition that would prohibit states from imposing any restrictions on employee withdrawals from IRAs. This change would give the ability to control leakage, for example, by setting retirement age restrictions and controlling withdrawals.
- **Ability to Use Tax Incentives or Credits:** Allows investment strategies which may have limited liquidity. Some states looked at providing annuities at the end of retirement. The original proposed rule would have limited that type of action. This rule should be left to the states. Modified requirement prohibiting employers from receiving direct or indirect consideration other than reimbursement of actual cost. States requested more flexibility to use tax incentives or credits in order to reimburse employers costs.
- **Ability to Focus on Employers That Do Not offer Saving Arrangements:** The state can now reimburse a reasonable approximation of the employers cost. Clarified language that the program have the ability to focus on Employers that do not offer savings arrangements.
- **Ability of Governmental Agencies and Instrumentalities to Implement and Administer State Programs:** Clarified where authority lies. The state through state law could make the decision to allow boards or other government agencies to design, implement, and administer as authorized by the state.

Ms. Massena stated that one new opportunity regarding the DOL’s rules is the ability to choose investments and control leakage. The Board has yet to talk about this issue regarding the Plan and whether there would be restrictions on withdrawals. Massena suggested solicit expert opinions on how to consider this.

Cory Streisinger commented that an option for the Board would be an annuity type of investment option which would help manage leakage while creating lifetime income as the accounts become larger.

Agenda Item 4 – ORSP Rulemaking – Progress Report: (INFORMATIONAL ITEM)

Jen Peet gave a report to the Board on the progress of the Rulemaking Advisory Committee, and their responsibility for commenting on the proposed Oregon Revised Statutes which will support the Plan.

The RAC has met twice, with a third meeting coming up in October. Ms. Peet explained that the work will continue beyond October, and that the Plan Service Provider will have input on the rules before Plan launch. Staff will provide the Board with a final draft of current proposed Rules for approval.

Ms. Massena noted the draft permanent rule will come back to the Board at the October 18th meeting.

Agenda Item 5 – Program Progress Report: (INFORMATIONAL ITEM)

a) General

Ms. Massena presented the Board with an overview of the program and its progress: the Marketing Service provider procurement is progressing with a provider to be selected shortly; two Board Education meetings in September provided background information on State Administered Retirement Plan Best Practices - nine different industry experts presented; as rulemaking progresses, Treasury staff is working towards the Plan Service provider evaluation and procurement.

b) Legal Guidance

In advance of Plan launch, the Board must obtain legal advice regarding the applicability of ERISA and the Internal Revenue Code to the Plan. Staff is working with Treasury's in-house counsel, Oregon's Department of Justice, and external counsel working to make sure we are in compliance with the guidelines and to obtain this legal advice.

c) RFP – Marketing Services

The Marketing Services provider RFP and procurement was authorized in August. Responses have come in and are currently being evaluated with the target of having a service provider in place by mid-October.

d) 2016 Report to the Legislature

The 2016 Report to the Legislature by the Board is due at the end of this year. This report must include the results of the market analysis, findings from legal advice, analysis of potential cost to employers, draft of any requests for proposals to solicit bids from plan administrators, timeline for implementation of the plan, overview of any contracts entered into, and recommendations to the legislative assembly regarding ways to increase financial literacy in the state. Staff is currently preparing a Draft report for Board review and approval in advance of publication and presentation.

Agenda Item 6 – Recommendations on Financial Literacy: (INFORMATIONAL ITEM)

Juanita Santana presented the Board with an early draft of the Financial Literacy report and its recommendations. Ms. Santana expressed to the Board that there are organizations that the Board can work with rather than recreating what is already out there. Several of the recommendations will have limited, small or medium financial impact. The series of working group sessions and discussions with Oregon's experts over the course of this year has led to the consideration of recommendations in three categories:

1. Clear visibility to current resources;
2. Support for service delivery – current programs
3. Support for household financial knowledge – curriculum-based.

Ms. Massena reminded the board that there is no budget allocated for financial literacy, which is a consideration as recommendations are proposed.

As a potential fourth recommendation Ms. Santana referenced the suggestion for creation of a statewide advisory council or commission on Financial Literacy, referencing the model given by the “Governor’s Council on Physical Fitness and Sports” that was created by former Governor Barbara Roberts, and which is still active. Ms. Massena noted that the Governor’s office is convening a cross-agency meeting to discuss Financial Empowerment, in which the ORSP Staff will be participating.

Agenda Item 7 – ORSP Investment Policy: (INFORMATIONAL ITEM)

Ms. Massena commented she would like the Board to spend time in a workshop forum to support the drafting of an investment policy for the ORSP, to be approved as soon as November or December. She presented the Board with examples of investment policies and commented that it is anticipated that investment decisions will be made in a two-step process: selection of the Plan Service Provider will narrow the universe of investment choices from ‘infinity’ to a finite set of available investment funds; guided by its Investment Policy the Board will choose plan investments from this available universe.

Treasurer Wheeler reminded the Board that the investment policy guidelines are a living document, which means they are not locked down.

PUBLIC COMMENT:

Tom Simpson, Standard Insurance, noted a couple of issues he would like to see his firm and the Board work on together. The first issue is what is intended ‘meaningful control’ of IRA assets, which is language from the Department of Labor’s preamble to its new rule. Standard Insurance would like to talk with the Board and figure out what that will look like. The second issue is in regards to financial literacy and working with the Oregon Business Council, which is a partnership between businesses and government, to consider adding this to their Oregon Business Plan, to help boost financial literacy in the State.

Joyce DeMonnin, with AARP, complimented the Board, leadership, and Lisa Massena, for their progress on the Oregon Retirement Savings Plan. AARP would like to help with education, marketing, or any other needs of the Plan.

The next meeting will be on October 18, 2016.

ADJOURNED at 10:17