



ADVISORY COMMITTEE MEETING MINUTES

May 11, 2016
Archives Boardroom
SALEM OREGON

COMMITTEE MEMBERS PRESENT

Mark Carlton, Committee Chair
Kevin Nordhill, Committee Member
Jeff Labhart, Vice Chair Member
Richard Bailey, Committee Member
Celeste VanCleave, Committee Member
Brady Boothe, Committee Member
Steve Schnurbusch, Committee Member

STAFF MEMBERS PRESENT

Roger Smith, Program Manager
Jack Schafroth, Local Government Representative
Dee Monday, Program Analyst
Kathy Gannon, Program Coordinator
Karen Blanton, Educational Representative

I. INTRODUCTION:

Meeting called to order at 9:30 a.m. Chair Carlton requested introductions from all those in attendance.

II. APPROVAL OF MINUTES:

Chair Carlton asked if there were any changes or corrections to the minutes from February 10, 2016. Chair Carlton moved to approve the minutes as presented and Vice-Chair Labhart seconded the motion. The motion carried unanimously.

III. OLD BUSINESS:

No old business

IV. ADMINISTRATIVE REPORT:

- A. **Q1 2016 Service Review:** Brian Merrick reported that Voya was selected as the record keeper for the State of Indiana and the City of Milwaukee. Merrick also noted that Pension & Investments listed Voya in as one of the top record keepers in its annual Defined Contribution Record Keepers Directory. Merrick also mentioned that Voya's participant website was presented, for the fifth consecutive year, the DALBAR Seal of Communications Excellence in financial services communications and for the first time Voya's Retirement Mobile App, was presented with the 2015 DALBAR Seal of Communications Excellence.



Merrick gave an update on the DOL final fiduciary ruling, stating the rule would be implemented in phases, with the first phase beginning in April 2017 and ending the beginning of 2018. Merrick stated that although the fiduciary ruling does not apply to 457(b) Governmental Plans, most Plans do follow the rulings as best practice. Merrick also stated this ruling will have no negative impact on Voya's working relationship Financial Engines, as Voya recognizes its fiduciary duty when providing financial advice in conjunction with Financial Engines.

Voya will be making some changes to participant passwords that will make accessing online accounts more user friendly, while maintaining security and risk controls. Merrick stated they will be working with the Plan team to implement changes.

Merrick shared participant survey results conducted on target date funds. Based on the results of the survey participant users of the Funds are more confident than non-users that they will reach their retirement goals, feel greater comfort with investment decision making and exhibit other markers of investment success. Users of target date funds contribute more to their accounts than non-users – a median of 2% more of income.

Merrick reported that total plan assets are at 1.7 billion as of March 31, 2016 and net cash flow is a positive 6.8 million. He highlighted that participants with Roth contributions are up to 2,425 and Roth contributions increased to \$1.3 million for the quarter.

Lastly, Merrick explained that there was a significant in-flow of funds to more conservative investment options with almost \$12 million transferred to the Stable Value option, \$2.5 million in the Short Term Fixed Income fund, and \$1 million in the Money Market. Merrick stated this is significant information because it shows how participants react to a volatile market.

Yolanda Dominguez updated the Committee with on-site education and support efforts and 2016 goals. The 1st Quarter 2016 stats were reported as 51 educational seminars with 342 in seminar attendance and 322 individual meetings. The 2016 goals include 250 group meetings with 1st quarter results at 51; 1,500 individual appointments, with 1st quarter results at 322; 2,500 enrollments, with 1st quarter results at 610; and \$45,000,000 rollover-ins, with 1st quarter results at \$11,818,404.

The Advisory Committee suggested a count of seminar attendees that are already enrolled versus potential enrollees would assist in measuring out-reach efforts.



Yolanda reported that most are not enrolled, but a high percentage are already enrolled, while Wes Handley stated there is a 60/40 split between new participants and existing participants. Brian Merrick stated he would work with Roger Smith to measure efforts.

- B. Q1 2016 Performance Report:** Jake O'Shaughnessy presented the Q1 performance review. O'Shaughnessy reported that the 1st quarter of 2016 was one of the most volatile quarters we have seen recently. O'Shaughnessy explained there was a new turn that came into the financial vernacular; the *Jamie Dimon Bottom* and negative interest rates. However, after February 2016 we did see a positive escalation in the market.

O'Shaughnessy reported GDP growth in the United States; however, there has been a prolonged period of below average expansion. GDP growth at the end of 2015 started to taper off. This caused concern that there could eventually be negative growth or a recession. This along with slow growth of earnings per share has traditionally been recognized that a recession may be approaching. One of the things driving the slow growth of earnings per share was a strong dollar. When there is a strong dollar it becomes more expensive for foreign companies and individuals to purchase U.S. goods.

The dollar strengthened primarily because in September 2015 there was a lot of debate around whether or not the Feds should increase interest rates. This did not happen in September, but they did raise interest rates in December 2015. So at that point market observers thought the Feds were committed to raise interest rates. With the higher interest rates projected in the U.S., relative to Germany and Japan, many people wanted to participate in that higher rate environment, but to buy U.S. Treasury's they had to convert foreign currency to the dollar. The conversions were completed with the expectation that rates would be higher in the U.S.

What actually transpired with the slow growth was the Feds began to site international economic factors and the projection of interest rate increases came down. As the interest rates came down it resulted in a weaker dollar. This resulted in less concern that U.S. companies would not have the ability to earn as much came off the table and then there was a rush back into U.S. equities.

Market factors will consist of struggling for economic growth; Central Bank Policy, higher rates means stronger currency; and currency factors and how that plays back to individual companies and countries success. This tells us that Central Bank Policy will be a market focus in 2016.



O'Shaughnessy went on to discuss OSGP overall performance; asset class funds and the inability to predict market fluctuation, with certainty; leading into the importance of creating a diversified portfolio and performing periodic rebalancing. O'Shaughnessy confirmed that OSGPs overall performance is A+.

C. Stable Value Fund Update: Matt Kline, Galliard provided an update on the Stable Value Fund. Kline provided the committee and audience with a updated Galliard business profile that shows a total AUM of \$87.9 billion. Kline indicated that \$77.7 billion of total assets are allocated to the Stable Value investment option.

D. Treasury Update: Karl Cheng intends to present the following proposed changes to the Oregon Investment Council (OIC) at its June meeting, for approval:

- Reduce the brokerage window access amount to \$5,000; and
- Increase the percentage of total assets a participant could invest in a brokerage window to 90%.

Karl acknowledged that these changes differ from the Advisory Committee's direction at the February 2016 meeting. In February, the Advisory Committee recommended that OSGP staff research the feasibility of keeping the minimum access amount at \$10,000 but increasing the percentage of total assets that could be invested from 50% to 70% of a participants' account.

Karl explained that he wanted to present the \$5,000 access amount and the 90% of total assets that could be invested as outer parameters, so that if the Advisory Committee made additional changes to the access amount or the percentage of an account that could be invested, he would not have to return to OIC.

Kathy Gannon added the existing OARs would need to be updated and presented to the OIC for approval, if the OIC approves the SDBW changes described above.

Karl stated that since the last Advisory Committee meeting, PERS made some changes to its approach and timing for issuing an RFP for OSGP TPA custodian and recordkeeping services. As a result, OST extended the existing consulting agreement with SageView for an additional year, and has postponed its solicitation of a consultant to OST for OSGP.

E. OSGP Update: Kathy Gannon reported 1st quarter plan statistics and reviewed year-to-date plan statistics.

Roger Smith updated the committee on proposed physical changes to OSGP offices; changes to the phone system; and moving some call agents from Tigard to Salem. He



also provided updates about National Retirement Security Week, and spoke about the potential for replicating this event in the future. He provided additional background about PERS plans related to posting a solicitation for TPA and custodian services for OSGP, and the timeline associated with that. Finally, he provided an outline of his vision for increasing the participatory role of the Advisory Committee, including having the Committee draft a Charter.

F. Presentation Team Report: The presentation team reported that they are focused on meeting as many eligible employees as possible to increase enrollments. They are all working in support of National Retirement Security Week, by making it part of their presentations. As well as gearing up for the usual increase in benefit fairs.

V. NEW BUSINESS: Roger presented Jeff Labhart, Vice Chair of the OSGP Advisory Committee a commemorative plaque as a Thank You for his service on the Advisory Committee.

There was some general discussion about fees and fiduciary duty, which Brian Merrick said he would work with Roger Smith to provide additional fee disclosure information.

VI. AUDIENCE PARTICIPATION: None

VII. ADJOURNMENT: The next meeting is scheduled for August 10, 2016.

There being no further business, the meeting was adjourned.

Respectfully submitted,

Dee Monday
Oregon Savings Growth Plan