



# Oregon

Kate Brown, Governor

## Public Employees Retirement System

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December 2, 2022

TO: Members of the PERS Board  
 FROM: Stephanie Vaughn, Manager, Policy Analysis & Compliance Section  
 SUBJECT: Adoption of Oregon Savings Growth Plan (OSGP) Trading Restrictions Rule:  
 OAR 459-050-0037, *Trading Restrictions*

### OVERVIEW

- Action: Adopt Oregon Savings Growth Plan (OSGP) Trading Restrictions rule.
- Reason: Remove restriction prohibiting OSGP members from transferring funds directly from the Stable Value Option to the Self-Directed Brokerage Option.
- Policy Issue: None identified.

### BACKGROUND

As provided under ORS 243.421, the Oregon Investment Council established a program for investment of moneys in the OSGP. This program offers OSGP members a set of investment options called core investment options. The core investment options include target date funds, Active Fixed Income Option, Stable Value Option, and various large and small cap stock options. Additionally, OSGP offers a Self-Directed Brokerage Option (SDBO) that provides members who want to take a more active role in the management of their money the ability to trade in individual stocks, bonds, and other publicly traded investment funds outside of the core investment options. An SDBO account cannot be funded through a direct tax deferred contribution. Instead, a member with an SDBO account must fund it by transferring funds from one of the core investment options into the SDBO account.

Currently, the trading restrictions rule does not allow transfers from the Stable Value Option to the SDBO. This restriction was established because the SDBO was viewed as a competing fund with the Stable Value Option by Galliard Capital Management, LLC (Galliard), the provider of the wrap contract<sup>1</sup> on the Stable Value Option.

Earlier this year, Galliard informed OSGP staff that the wrap contracts held by the Stable Value Option have been amended to remove the SDBO as a competing fund. This means that any trading restrictions on transfers from the Stable Value Option to an SDBO account under our existing OAR can be removed. VOYA has confirmed that they have made the appropriate changes to their system to lift the trading restriction between the Stable Value Option and an

<sup>1</sup> A stable value investment contract that “wraps” a designated portfolio of associated assets within a stable value investment option to provide an assurance (1) of principal and accumulated interest for that portfolio, (2) of payment of an interest rate, which will not be less than 0%, for a specified period of time (the crediting rate) on that portfolio, and (3) that participant-initiated withdrawals and transfers out of the assets of the portfolio will occur at book value subject to the terms of the contract. (Source: <https://www.stablevalue.org/wrap-contract/>)

SDBO account. Therefore, we are recommending this edit to the rule to remove the trading restriction.

### PUBLIC COMMENT AND HEARING TESTIMONY

A rulemaking hearing was held remotely on October 25, 2022, at 2:00 p.m. No members of the public attended. The public comment period ended November 1, 2022, at 5:00 p.m. No public comment was received.

### LEGAL REVIEW

The attached draft rule was submitted to the Department of Justice for legal review and any comments or changes are incorporated in the rule as presented for adoption.

### IMPACT

Mandatory: No, but the restriction is no longer necessary and the restriction still applies until the rule is updated.

Benefit: The rule update will provide staff and members with the most accurate information about current trading restrictions.

Cost: There are no discrete costs attributable to the rule.

### RULEMAKING TIMELINE

September 30, 2022	Staff began the rulemaking process by filing Notice of Rulemaking with the Secretary of State.
September 30, 2022	PERS Board notified that staff began the rulemaking process.
October 1, 2022	Secretary of State published the Notice in the Oregon Administrative Rules Database. Notice was sent to employers, legislators, and interested parties. Public comment period began.
October 25, 2022	Rulemaking hearing held remotely at 2:00 p.m.
November 1, 2022	Public comment period ended at 5:00 p.m.
December 2, 2022	Board may adopt the rule modifications, including any changes resulting from public comment or reviews by staff or legal counsel.

### BOARD OPTIONS

The PERS Board may:

1. Pass a motion to “adopt the OSGP Trading Restrictions rule, as presented.”
2. Direct staff to make other changes to the rule or explore other options.

### STAFF RECOMMENDATION

Staff recommends the PERS Board choose Option #1.

B.3. Attachment 1 – 459-050-0037, *Trading Restrictions*