



**RETIREMENT PLANS
INVESTMENT COMMITTEE MINUTES
MAY 15, 2009**

Investment Committee: Larry Dann (Chair), Richard Bailey, Deb Janikowski, Gary Malone, John Settle, Kip Sigetich, Mike Green (absent)

Administration Committee: Denise Yunker (Chair), John Craven, Ernie Pressman, Alice Sprague (excused)

Staff: Nathan Klinkhammer

Presenters: Howard Biggs and Jake O’Shaughnessy, Arnerich Massena and Associates, Inc. (Advisor); Hugo Steensma, Sustainable Asset Management (SAM)

Jake O’Shaughnessy, CFA, was introduced as a new member of the Arnerich Massena and Associates, Inc., consulting group who will be working with Howard Biggs on the OUS plans.

1. Sustainable Investment Options.

Sustainable Asset Management group (SAM), a Zurich-based company founded in 1995, profiled its approach to providing sustainability related investments, at the invitation of the committee and the plans’ Advisor. SAM defines sustainable development as “meeting economic, environmental, and social needs of the present without compromising the ability of future generations to meet their own needs.” Selection of “sustainable” company stocks includes analysis based 130 cross-industry criteria evaluating economic, social, and environmental dimensions; financial valuation; fundamental company analysis. Sustainability themes related to water, climate change, energy, resource efficiency, and healthy living are included in SAM’s investment opportunities. SAM funds would bring a socially responsible investment (SRI) option that is an offshoot of the MSCI world index to the investment menu. After discussion with Hugo Steensma and Howard Biggs, the committee accepted this information item for future consideration.

2. November 21, 2008, minutes adopted.

3. Investment Policy Statement (IPS).

Investment Policy Statement Amendment #2 adopted, with discussion.

In the pre-meeting letter that will accompany performance reports mailed to the Investment Committee, the Advisor will include a list of funds with performance data that meet the watch list criteria of the IPS. Additionally, future performance reviews will display the funds’ status for each of the 8 IPS factors (besides investment percentile relative to peers) which contribute to placing funds on watch status.

The committee elected to retain the 60th percentile threshold for placing a fund on watch after discussion of dropping the threshold to the 75th percentile for the two consecutive rolling periods. The committee elected to not relax scrutiny in light of recent volatility, and recognized that funds could remain on watch indefinitely.

A change in terminology to identify “fund manager” as a mutual fund was listed for inclusion in the next IPS amendment.

4. Plan Participation and Trends

A summary of plan participation and trends from Nov '07 inception through March '09 shows that participation is remaining steady overall in the voluntary 403(b) program. From January '09 through March '09 there was not a flight from equities to money market, and participants were generally making few investment changes. Data revealed that voluntary deferrals decreased slightly in October '08. Participant enrollment rates are clearly influenced by communications and external events, as evidenced by spikes in new enrollment during the 2007 plan implementation, campus enrollment communications and benefits fairs in spring and fall '08, and the February '09 mail-out of the mandatory notice of universal availability that was bundled into a quick enrollment form. Targeted communications have proven effective in the short term and will continue to be developed by OUS and the vendors to reach various life-stage groups.

5. Committee Education

Committee member training on fiduciary duties, roles, and responsibilities will be coordinated by the chairs, counsel, and the Advisor.

6. Updated performance analysis Q1 '09

Howard Biggs noted that the first quarter showed great dispersion between growth and a value funds performance; aggressive growth funds generally performed better than others.

Investments specifically addressed for investment performance below their peer group; style/capitalization consistency; expense ratio, or average management tenure included:

- PIMCO Real Return- subsequent to the Q1 '09 review has had strong performance;
- Fidelity Freedom Funds - from 2030 to 2050 lagged in the first quarter, but have picked back up due to Fidelity's growth bias;
- Growth Fund of America - fell from 38th percentile in Q4'09 to 58th percentile in Q1'09;
- American Beacon Large Cap Value Plan - has picked up to 39th YTD percentile subsequent to end Q1'09, and outperformed the index in Q1'09;
- UBS Large Cap Equity Fund (IMRIX) returns and ranks are revised as follows as of 3/31/09
 - 1 year return -40.49% rank 77th percentile
 - 3 year return -15.83% rank 81st percentile
 - 5 year return -5.5% rank 67th percentile.
- Vanguard Mid Cap Index has picked up to 38th percentile YTD;
- Managers Essex Small-Micro Cap's sector concentration in health care impaired performance in Q4'08 and Q1'09, and has not recovered yet this year;
- Vanguard Small Cap Index has picked up to 40th percentile since end of Q1'09;
- Dodge & Cox International suffered from a deep value strategy in Q4'08, but is at 5th percentile YTD.

Generally, though some 1- and 3-year peer rankings dropped in Q4'08 and Q1'09, 5-year rankings remain strong enough that no funds were placed on the watch list.

7. Core Menu Addition: Vanguard Emerging Markets Stock Index Fund (VEIEX)

The committee reviewed the Advisor's Manager Search for possible inclusion of asset classes to the core investment menu, including: International Index, Emerging Markets, REITs, Commodities, and Sustainable Investments. By committee vote (5 in favor; 1 not in favor, 1 absent) the Vanguard Emerging Markets Stock Index Fund (VEIEX) was approved for addition to the core investment menu. The

Advisor will initiate work with Fidelity to place the new fund on the menu. Finalizing the addition is estimated to require up to 90 days, with VEIEX becoming available in September '09.

8. Share Class Cost Reductions

The committee unanimously approved (1 absent) moving three funds to lower cost share classes for both the ORP 401(a) plan and the TDI 403(b) plan. Assets in the current, higher cost share classes will be automatically transferred to the lower cost share classes for the following funds:

- Metropolitan West Full Return Bond Fund (MWTRX)
- American Beacon Large Cap Value Plan (AAGPX)
- Times Square Mid Cap Growth Premier (TDMPX)

Participants will be notified of the share class changes by OUS and on their quarterly statements from Fidelity.

9. Target Retirement Date Freedom Funds

Target retirement date Freedom Funds predominate the 403(b) plan, making up 53% of TDI assets compared to 23% of ORP assets in the advised menu. As a suite, the Advisor commented the Fidelity Freedom Funds have done fairly well in comparison to peer group rankings, partially due to Fidelity's growth bias. Morningstar has refined peer groups to 5-year increments, tightening up comparisons.

10. ING

The annual interest crediting rate on the ING Stable Value Fund will be 4.04% through 6/30/09, and the annual fee will remain at 0.91%. ING is preparing an updated fund facts sheet for publication on the co-branded OUS-Fidelity website (www.mysavingsatwork.com/ous).

11. Administration Committee Report (attached)

12. No members of the public attended or provided public comment.

Future meetings:

November 13, 2009

May 21, 2010



Oregon
University
System

May 15, 2009

ORP/Retirement Plans Administration Committee

Activity Report

Since the November 21, 2008 meeting of the OUS Retirement Committee, the Administration Committee of the Optional Retirement Plan and OUS Retirement Committee has completed the following activities.

Activity

1. The request for an IRS determination letter confirming qualified status of the Optional Retirement Plan was filed on February 2, 2000. The Department of Treasury acknowledged receipt of the request March 11, 2009. IRS responses are generally available between 60 and 145 day after receipt.
2. In February 2009, the new IRS-mandated “Universal Availability” notice for the TDI 403(b) Plan was sent to all 403(b)-eligible employees, bundled into a QuickEnroll form with details on how to enroll, the plan contribution limits, and associated information. The notice resulted in a 115% increase in traffic to the TDI plan homepage, and enrollments more than doubled over the previous month (22-48). The 403(b) providers are coordinating with OUS to provide additional enrollment support to participants who were enrolled with default allocations as part of the QuickEnroll process. The notice and QuickEnroll response form will become an annual communication to OUS employees as required by the treasury regulations for 403(b) plans.
3. Frozen 403(b) contract providers that have not received contributions since October ‘07 have all responded to OUS’ request to provide a contact for coordination of loans, hardship withdrawals, and distributions. Acknowledgement of “in plan” status, as described in Rev Proc 2007-71, is complete for 11 providers. One frozen provider – Fidelity Investments -will enter into a separate recordkeeping agreement, as approved by counsel. Three (3) providers - the American Funds, Nationwide Life Insurance and Standard Insurance - are in dialogue with OUS to reach final agreements.
4. TIAA-CREF and VALIC presented annual reports to the Administration Committee for all OUS accounts and plans in February ‘09 and April ‘09 respectively. TIAA-CREF has begun work to decentralize certain participant transaction approvals to campus administrators, with an expected September ‘09 go live date. No other actions required based on provider reports.

Notices

1. The interest rate for loans through TDI:ous (Fidelity) will be 4.25% (prime plus one) from 6/1/09 through 11/30/09.
2. ORP Contribution rates will change effective July 1, 2009 as follows:

ORP Tier One Employer Contribution	11.89%
ORP Tier Two Employer Contribution	11.89%
ORP Tier Three Employer Contribution:	5.89%
Employee Contribution, all tiers:	6.00%