

OREGON UNIVERSITY SYSTEM
RETIREMENT PLAN REDESIGN
FACULTY ADVISORY COMMITTEE
FEBRUARY 3, 2007
MINUTES
Adopted February 24, 2007

Committee: Jeff Vermeer (EOU); Richard Bailey (OIT); Alan Acock (OSU), Starr McMullen (OSU); John Settle (PSU), Ray Johnson (PSU); Kip Sigetich (SOU); Larry Dann (UO), Joe Stone (UO); Tom Burrell (WOU)

OUS: Jay Kenton, Denise Yunker, Mike Green; Howard Biggs (Consultant)

Stakeholder Communications

Information and tools to support stakeholder processes were reviewed.
See <http://www.ous.edu/dept/hr/benefits/redesign.php>

COMMITTEE COMMENT

Participant Education

The committee noted that general retirement planning education, in addition to specific information about investment options and using the plan features, should be provided. The committee noted that broadly-designed participant education is a high priority.

Recordkeeper and Investment Committee Roles

The committee clarified that investments are selected by the OUS Investment Committee, with advice from the investment advisory firm of the plans. The provider selected as recordkeeper operates on the plan's behalf, but does not select investments. The committee requested information on the Investment Committee's composition, responsibilities and liabilities.

Investment and Recordkeeping Costs

Recordkeeping cost is a component of total investment product cost, and is currently paid by participants as part of their overall investment cost. The proposed plan design begins to manage down total costs, first, by reducing recordkeeping costs. Actual participant cost is a function of the investments they select. By reducing the recordkeeping cost element the overall investment cost of the plan can be managed downwards over time to the advantage of the participant investors. As plan assets grow, the percent of assets necessary to cover recordkeeping costs decrease.

INVESTMENT MENU

Age-Based Default Investment

The advisory committee discussed asset allocation funds for use as default investments and as part of the core investment menu. Risk-based and age-based asset allocation funds were reviewed, and the committee concurred that age-based asset allocation funds, also called target retirement date or lifecycle funds, are recommended for use as the default enrollment option.

Self Directed, Mutual Fund Window

The advisory committee had considerable discussion about the depth and breadth of a mutual fund window before recommending adoption of the self-directed account / mutual fund window.

Asset Allocation Funds

The committee discussed cost and fiduciary responsibility of the plan for asset allocation type funds. Biggs noted that OUS can achieve cost efficiencies and maintain investment diversification by developing asset allocation products from funds that represent a broad array of investments and low costs associated with passively managed funds.

- *Age-Based, Target-Date Retirement*

Age-based asset allocation funds are recommended for inclusion in the core menu to provide “auto-pilot” style investing that automatically rebalances participants’ equity/fixed investment proportions with higher reward/risk ratios earlier in career and decreasing reward/risk as participants approach their target retirement dates. The decision on selection v custom development of age-based asset allocation product will be referred to the Investment Committee.

- *Risk-Based*

Addition of risk-based asset allocation products to the core menu was discussed. Inclusion of this product depends on recordkeeping capability of selected vendor and adoption by the Investment Committee. Final recommendations by the committee are pending.

Core Menu

With the exception of considering the addition of risk-based asset allocation products to the recommended age-based investment products, there were no recommendations to add, change, or delete asset categories listed on the core menu. Further discussion has been requested at upcoming meetings.

Conversion and Enrollment

Preliminary discussion of plan conversion requirements outlined questions to be addressed once plan design and recordkeeper contracting are complete. Primary topics to be addressed include open enrollment and disposition of account balances. Under the proposed, consolidated plan design, TDI account balances would not automatically transfer to the new plan, except at the request of a participant. ORP accounts that are part of the new plan design will automatically transfer to the new investment menu.

CONSOLIDATED OR SEPARATE TDI AND ORP

Investments - Annuity Products

The committee discussed pros and cons of offering annuity products on the new TDI investment platform, generally concurring that it may be necessary to retain annuities in a way that is conducive to consolidated recordkeeping, but not subject to selection or fiduciary oversight by the Investment Committee. By law, annuities are offered to ORP participants. The committee recommended participant education regarding annuity product costs and benefits.

Consolidating TDI and ORP

The committee addressed the rationale for consolidating the TDI and ORP, options to customize the TDI plan, and the relationship between the ORP trust and investment menu. The key question under consideration is whether to bring both plans under a single recordkeeper and investment menu. Contingent on retaining major current fund providers, to the extent possible, the committee noted general concurrence with the proposed consolidated design, but requested additional information and discussion at the campus level before formulating a final recommendation.

NEXT STEPS

Mr. Kenton requested the committee to go back and talk about the redesign with their campuses, to probe the question of adopting a consolidated recordkeeper and investment menu for the ORP and TDI, putting that squarely before campus constituents.

Future Agenda Topics

Review questions that have been received from OUS participants.

Confirm recommendations for the investment menu, assuming this seems like a viable plan design concept. Determine how to respond to requests for real estate funds, green funds, precious metals, to name some that have been mentioned. What should be on the core menu and what should be in the self-directed account?

Finalize recommendations on construction of the Core Menu. A committee member noted, "I'm real satisfied with the default column. I'm real satisfied with the window idea. It's the middle column where I think our reaction is going to be. I still worry about that middle column being so lengthy that it's overwhelming."

Review savings participants could see, on average, under the proposed plan design concept.

Investment Committee's investment selection/monitoring processes and fiduciary responsibility/liability

Alternate plan designs. Committee members will review MnSCU and the State of Connecticut plan information for examples of recordkeeping and education services through consolidated recordkeepers with open architecture plan designs.

Education and Advice Services: What would we get from the recordkeeper? Is it adequate, or do we have to add a more depth and breadth?

Transition/Conversion Plan

Next Meeting: February 24, 2007