

# Retirement Plan Redesign Concepts

2007

# Two Plans

- **Tax-Deferred Investment 403(b) Program**
  - **Voluntary Retirement Savings Program**
  - **Open to All Employees (except students)**
  - **16 Authorized Vendors offer annuities and mutual funds**
  - **3500 active participants**
  
- **Optional Retirement 401(a) Plan**
  - **Employer and Employee Contributory**
  - **Alternative to PERS for unclassified employees**
  - **4 Companies offer annuities and mutual funds**
  - **3000 active participants**

# Retirement Plan Redesign Goals

- **Easier for employees to take advantage of the retirement savings plan**
  - Increase from 1-in-5 to 3-in-5 employees investing
- **High Quality Investments and Services**
  - CORE PLUS CHOICE investment options
  - Single source participant services & education
  - Universally available investment advice tools
  - Administration technology advances
- **Plan sponsor support & compliance**

# Why Redesign Now?

- **Plans are 10+ years old, not serving today's needs as well as they can**
  - Vendor contract reviews are due
  - Products change over time
  - Increasing need for 403(b) retirement savings
    - Retiree health care, Social Security, PERS changes
- **Enhancement of administrative services**
  - New participant advising, education options
- **New regulations for 403(b) plans – Jan 08**

# Treasury Regs – Jan '08

- First IRS guidance for 403(b) plans since 1964
- Place new, more responsibility on plan sponsors for plan oversight
- Apply standard plan rules for all vendors
  - Control movement of funds between plans
  - Order of contributions
  - Similar forms of benefit distribution

# Process Advisors: 2004-06

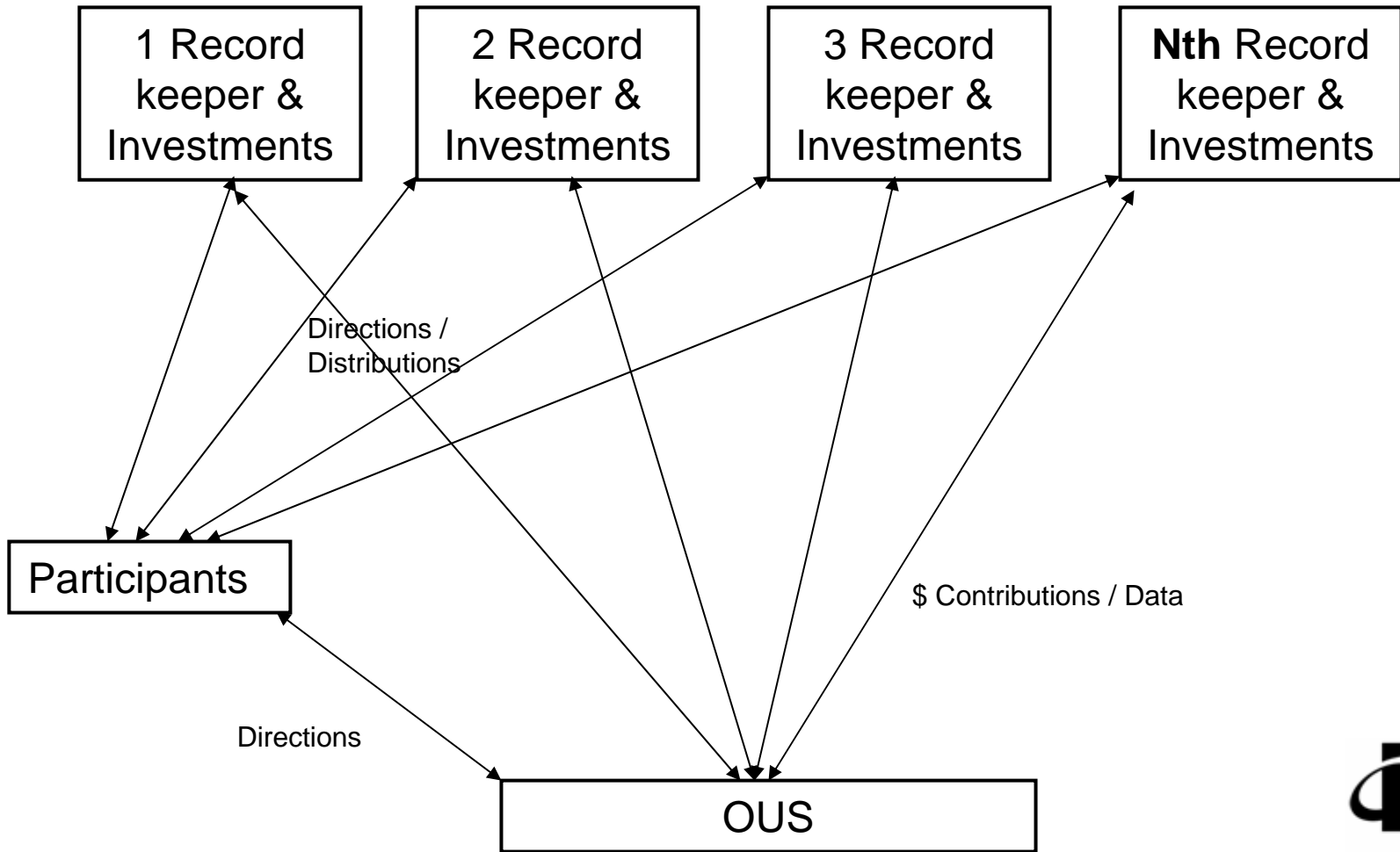
TDI RFP Committee – multi-campus  
TDI Advisory Committee – multi-campus  
Administrative Council  
Provosts Council  
Campus Implementation Teams  
Inter-Institutional Faculty Senate  
Investment Committee (TDI)  
Retirement Plan Services Evaluation Committee  
ORP Trustees  
Interested faculty and participants  
Mercer Human Resource Consulting, Inc.  
Arnerich Massena and Associates, Inc.  
Hershner Hunter LLP  
Oregon Dept of Justice

# Plan Components

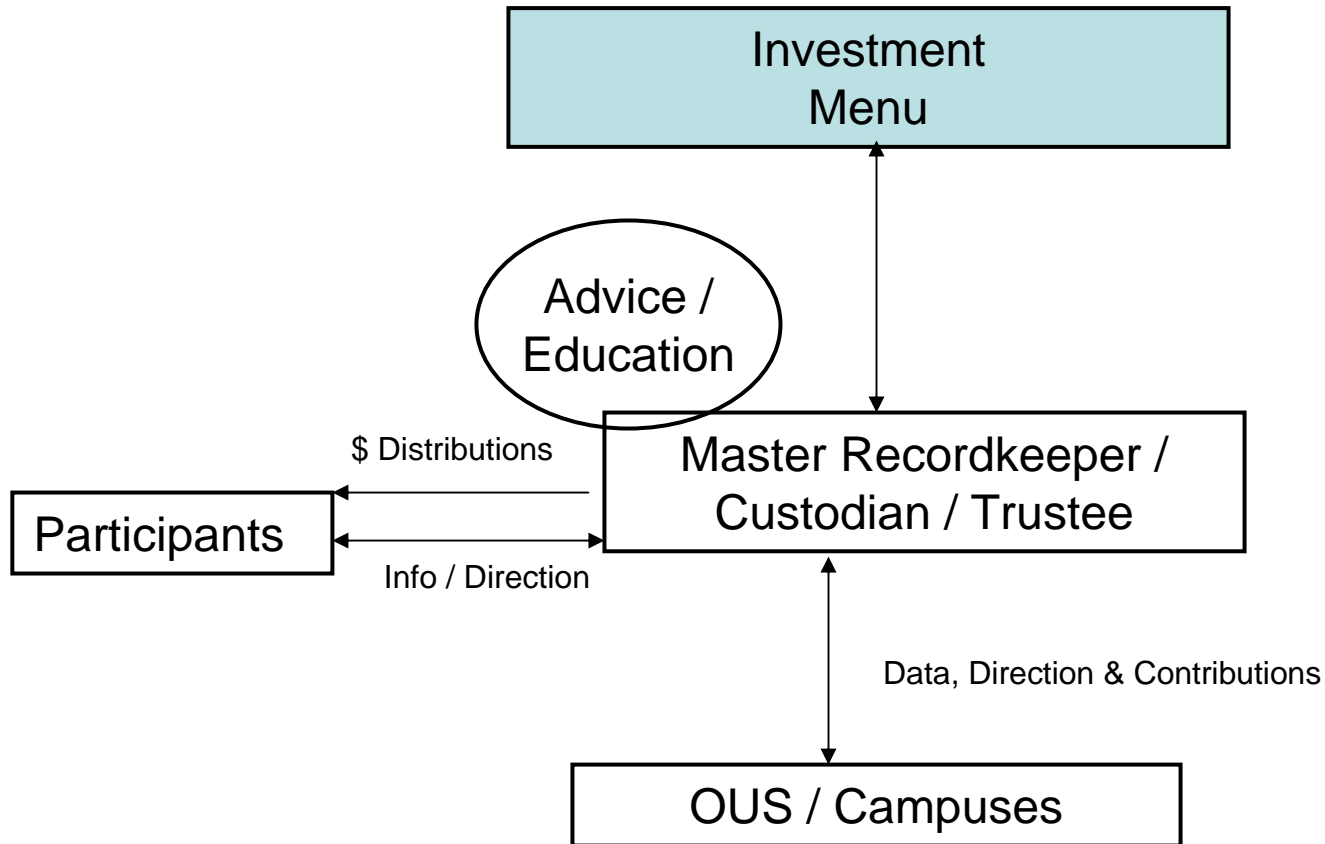
- **Investment platform**
  - Mutual funds, fixed annuities and variable annuities
- **Recordkeeping/Trust & Custodian platform**
  - Transactions & Statements
  - Participant Services
  - Advising and Education



# Current Plans



# New Plan Concept



# CORE PLUS CHOICE Design Concept

## Mutual Funds, Fixed and Variable Annuities

- **Core**
  - Actively managed funds
  - Passively managed index funds
  - “Life Cycle” rebalancing funds
- **Choice**
  - Self Directed Acct – Mutual Fund Window

# Investment Menu Concept

## CORE Asset Classes – Mutual Funds & Annuities

**Risk Based, Age Based, or Target Retirement Date  
Asset Allocation Portfolios (“Lifecycle” Funds)**

**Money Market**

**Stable Value / Fixed Accounts**

**Short Term Bond**

**Intermediate Term Bond**

**Large Cap Blend**

**Large Cap Value**

**Large Cap Growth**

**Mid Cap Value**

**Mid Cap Growth**

**Small Cap Value**

**Small Cap Growth**

**Socially Responsible (Large Cap Blend)**

**International Large Cap Value**

**International Large Cap Growth**

## CORE Asset Classes cont'd

Bond Market Index  
Large Cap – S&P 500  
Mid Cap Core Index  
Small Cap Core Index  
International Index

## CHOICE Component

Self Directed Account – Mutual Fund Window

# Success Factors

- **High quality mutual funds and annuities**
- **TPA/recordkeeper with or w/o proprietary investments**
- **Investment advice**
  - Online financial engines and account mgmt
  - In-person advice
  - Retiree distribution planning advice
- **No fees for mutual fund window/self directed account**

# Key Concepts

- No new participant expenses
- Open architecture investment menu is superior to simply reducing the number of TDI vendors
  - Professionally monitored CORE investments
  - Group pricing that participants cannot achieve as single purchasers
- Consolidated CORE investments & one recordkeeper is a foundation to drive down costs for all participants, negotiate away sales charges, and eliminate fees
- Mutual fund window provides CHOICE for investors
- Decision overload is reduced

# End Goals

- Encourage and support employees' voluntary savings for retirement
- Top tier investments, responsive to participant preferences
- One-stop-shopping participant services
- Meet federal compliance requirements

# Next Steps

- Advisory committee review through March 2007.
- Plan redesign concepts should be finalized by end of 06-07 academic year.
- No changes anticipated before Fall 07.