



Retirement Program Redesign Tax-Deferred Investment Program And Optional Retirement Plan

Announcement #2

In May 2006, the Oregon University System (OUS) announced the beginning of a process to redesign the Tax-Deferred Investment 403(b) Program (TDI). In the ensuing months, OUS staff and consultants have used information from the work done in early 2006 to refine steps for reaching the goals of the redesign, i.e., “one-stop shopping” for retirement plan inquiries; high-quality low-cost investments; and use of a single, central recordkeeper for easy participant access to information about the OUS retirement plans.

The retirement plan structural and operational redesign has been guided by ongoing advising from faculty, campus administrators, and consultants. On September 8, 2006, the Oregon State Board of Higher Education approved the Investment Policy Statement for the TDI plan, and a request for proposals for a recordkeeper was issued in late September 2006. Results of that “rfp” are expected by mid-November 2006.

The proposed plan redesign envisions using the same recordkeeper for both the TDI program and the Optional Retirement 401(a) Plan. Details of bringing the plans under a shared recordkeeper will be worked out over coming months to make it easier for OUS employees to take advantage of their unique opportunities to effectively save for retirement. When complete, redesigning the plans is intended to achieve these goals:

1. Provide a Single Source for Plan, Account, and Retirement Investing Information. Participants will be able to access all of their OUS retirement plan information through a call center that handles all of their plan information with just one call. Website access will be through a single portal to make it easy to see account information, change investment directions, and see information about the plans.

2. Consolidate Recordkeeping. The redesign under consideration envisions placing both the TDI and the Optional Retirement 401(a) Plan under the same recordkeeper. Currently, when employees invest, they receive separate statements from each recordkeeper – currently, 18 different recordkeepers serve the plans. By moving to one recordkeeper, retirement investment accounts will be included on a consolidated statement, all in one place.

3. Manage Administrative Fees. Under the current plans, administrative fees are individually built into the expenses paid by each participant, depending on the company and the investments chosen. Though the fees are often not reported as separate fees, they affect the long-term earnings for the investor. Administrative fees should be as low as possible, and fees should be equitable for participants across the plans.

4. Best-in-Class Investment Options. The TDI program currently has 17 investment/insurance companies offering an unlimited number of funds; the ORP offered 166 funds in 2005. Because many funds have essentially the same fund objectives, a professional investment advisory firm has been retained to assist the plans’ Investment Committee to simplify the array of overlapping, duplicative funds, for both the TDI and ORP. This will help control administrative costs and reduce confusion that participants have experienced in making their choices among so many investment companies and funds.

5. Allow Choice of Investments. An array of mutual funds and annuities will be included in the investment menus for the plans, recognizing that participants have individual risk profiles, other retirement accounts outside the OUS plans, and varying comfort levels with actively managing their investments. The proposed investment menu includes actively managed funds, passively managed (index) funds, age- and risk-targeted funds, and a special mutual fund “window” for participants who wish to use funds not included on the regular investments menu. The proposed investment menu includes mutual funds and annuities in the categories shown in the Investment Menu.

6. Prepare for Federal Plan Compliance. The IRS has proposed new treasury regulations that will impose greater responsibility on plan sponsors to exercise oversight of their 403(b) plans. By streamlining plan operations and investments, managing to the new regulatory standards will be more cost efficient, and the TDI plan will be compliant when the final regulations go into effect.

Proposed Investment Menu Asset Classes (Mutual Funds and/or Annuities)	
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	
International Large Cap Value	
International Large Cap Growth	
Index Funds:	Bond Market Index
	Large Cap – S&P 500
	Mid Cap Core Index
	Small Cap Core Index
	International Index
Risk Based Asset Allocation Portfolios	
Age Based or Target Retirement Date Based	
Asset Allocation Portfolios	
Self Directed Account – Mutual Fund Window	

Investment Menu

The investment menu will provide “best in class” annuities and mutual funds, selected and monitored by the plans’ Investment Committee and professional investment advisory firm. Where multiple investments meet the plans’ criteria, more than one may be selected. The new plan structure, including the services provider and the funds on the investment menu, should be known close to year’s end in 2006.

Each asset class shown on the Investment Menu will offer a mutual fund or annuity that is selected and regularly monitored for performance, price to participants, and factors that affect it’s stability and suitability as a retirement plan investment. Regular reports on each fund will be available for participants to use in determining their own investment mixes.

Schedule

The cutover date to the new TDI plan administrator and investments, is planned to occur in early 2007, and will be confirmed as more information is available. We expect this will be March 1, 2007, for the redesigned TDI plan, after the recordkeeping system’s web access is established and informational meetings have been completed to introduce the new services and investment options. ORP conversion to the new recordkeeper is expected to change over in fall 2007.

As more information becomes available, it will be at <http://www.ous.edu/retplan.html> . The next announcement will be some frequently asked questions (FAQs). Please contact an [Implementation Team](#) member to be sure your questions are included.

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