

Investment Committee

Meeting Minutes of October 25, 2006

Present: Michael Green, Mark Weiss, Larry Curtis, Deborah Janikowski, Sherry Stahl, Denise Yunker; Howard Biggs (Arnerich Massena and Associates, Inc.); Marie Vitulli (UO), Jonathon Reuter (UO)

Process Overview: Howard Biggs gave an overview of evolving retirement plan structures, describing bundled and unbundled administration and investment platforms. In the current 403(b) environment, employees individually purchase investment and administration services from one or more of 17 vendors. OUS has engaged Arnerich Massena and Associates, Inc. to seek group purchasing of administration services, based on aggregation of assets into a consolidated array of investments to achieve favorable pricing for participants. Funds under consideration will all be no-load funds, and will not permit contingent deferred sales charges.

Plan Structure: For the 403(b) Tax-Deferred Investment Plan, it would be possible to offer just mutual funds, but to use a single solution for both of the OUS defined contribution plans, fixed annuities and variable annuities are required for the 401(a) Optional Retirement Plan. The current plan structure anticipates providing the same investment menu for both plans in order to achieve similar savings for participants in either or both plans. The structure establishes a foundation that will permit participants to buy better share classes through the plans than they can currently do as an individual purchasers.

Record keeping services are under negotiation to be paid from the funds' expenses and revenue retention rates, rather than as a direct annual or quarterly administration fee to participants. Michael Green confirmed that OUS is staffing central administration currently, and is not paying vendors for administration costs.

Investment Policy:

I. Provision for Annuity Products in TDI Investment Policy Statement

Howard Biggs provided general language to amend the TDI Investment Policy Statement for the inclusion of annuity products. Mark Weiss recommended revision to delete a provision that will be applicable only to the ORP Investment Policy Statement when it is drafted.

Motion adopted: "Accept annuity amendment with one sentence applicable to the ORP removed."

The committee recommends revision of the TDI Investment Policy Statement to include a new Section E, Considerations Regarding Annuity Products, which reads as follow:

"Annuity products will generally be evaluated under the criteria outlined above. However, utilization of the Annuity Products within the plan is a function of governing statutes. Annuity products are offered within an overall contract format. The contracts do not utilize an open environment and thus represent a far more limited universe for choice than is available in the mutual fund universe.

Evaluation of Annuity Contracts selected for the plan is based on a variety of factors, including cost, return, fund flexibility and choice, various operational restrictions and fees. Once the Annuity Contracts are selected, the universe of available fund or products for each investment category and replacement products for each category is substantially limited. Thus the standard of evaluation of annuities will take into account the limited universe for fund choices. A greater degree of performance latitude will be used in the evaluation of the Annuity fund performance. Replacement funds, if needed, will be selected from within the various contracts available under the plan. A contract may be replaced if in the opinion of the Committee, considering the contract, fees, expenses, returns, operational capabilities, restrictions and fees, the current contract does not optimally meet the needs to the plan. In that event the Committee may request the Investment Consultant to perform a search for a possible replacement of a current contract.”

Motion Adopted

2. Investment Menu

The core investment menu will be revised to reflect asset classes and products that may be provided through the investment search process. The proposed mutual fund window may be subject to an account fee, and waiver of that account fee depends on what the record keeper community chooses to bid.

3. Specific Investments

The committee may add additional funds or defer to the mutual fund window for specific investments.

4. Preliminary Mutual Fund Recommendations

Howard Biggs described how mutual funds are identified for review by the investment advisory firm, noting that Arnerich Massena and Associates, Inc., operates as a fee-based firm under contract with the Oregon University System and with no business or selling affiliations to investment products or companies. In addition to compiling performance data, Arnerich Massena and Associates, Inc., reviews fund managers at 18 month intervals, to develop qualitative assessments to supplement the quantitative measures used for evaluation of investment products, with the exception of money market funds.

The committee reviewed mutual funds acceptable for placement on the investment menu, adopting a preliminary investment menu. The investment menu will be subject to change as a function of negotiations with record keepers who may require use of certain proprietary funds as a condition of providing services to the OUS plans. Sixteen mutual funds were accepted for tentative placement in as many asset categories.

5. Default Investment Option

The committee moved to include a single moderate-risk portfolio for use as a default investment to accept contributions and deferrals until a new or transferring participant has provided explicit investment directions.

Motion Adopted: “A default fund for new participants and for plan start-up transfers, based on a moderate risk-based portfolio, will be added to the Investment Menu.”

6. Age or Target Date Option

The committee moved to adopt an age-based or target retirement date based option that would rebalance asset allocations periodically for participants who do not actively manage their investments. Rather than purchasing a suite of fund products, the Investment Consultant will propose a portfolio developed from the underlying mutual fund investments, and the record keeper will reallocate account assets, as directed by the plan sponsor.

7. Preliminary Mutual Funds List

Mutual funds tentatively accepted under separate motions by members of the Committee include:

<u>Mutual Fund</u>	<u>Ticker</u>	<u>Asset Category</u>
Metro West Low Duration Bond Fund	MWLIX	Low Duration Bond
Vanguard Total Bond Market Index	VBTLX	Intermediate Term Bond Index
Dodge & Cox Income	DODIX	Intermediate Term Bond
American Funds Growth Fund of America R4	RGAX	Large Cap Growth
Vanguard 500 Index	VFIAX	Large Cap Blend
Hotchkis Wiley Core Value I	HWCIX	Large Cap Value
Neuberger Berman Socially Responsible	NBSRX	Soc. Resp. Large Cap Blend
Munder Mid Cap Core Growth Y	MGOYX	Mid Cap Growth
<u>Better of negotiated expenses:</u>		
TIAA-CREF Instl Mid Cap Blend Index	TRBDX	Mid Cap Blend
Vanguard Mid Cap Index Admiral		
Janus Mid Cap Value Institutional	JMIVX	Mid Cap Value
Perimeter Small Cap Growth	PSCGX	Small Cap Growth
Veracity Small Cap Value	VSVIX	Small Cap Value
<u>Better of negotiated expenses:</u>		
TIAA-CREF Small Cap Blend Index	TISBX	Small Cap Blend
Vanguard Small Cap Index Admiral	VSMAX	Small Cap Blend
American Funds EuroPacific Growth R4	REREX	International Growth
Vanguard Total International Stock Index	VGTSX	International Blend
Dodge & Cox International Stock	DODFX	International Value