

# Oregon Saving Growth Plan



## ADVISORY COMMITTEE MEETING MINUTES

August 16, 2023 – 3<sup>rd</sup> QUARTER

Hybrid Meeting  
Keizer Community Center  
MS Teams

### Committee Members Present

Christine Valentine, Chair  
Jeff Gibbs, Vice Chair  
Frank Goulard  
Gene Bentley  
Kyle Niemeyer

### PERS Staff Present

Kevin Olineck, Director  
Sam Paris, Chief Operations Officer  
Jack Schafroth, Interim OSGP Manager

### Committee Presenters Present

Anne Heaphy, Callan  
Carol Cann, Voya  
Jennifer Moran, Voya  
Deirdre Jones, Voya  
Uvan Tseng, Callan  
Gladys Salguero, Voya  
Louise Howard, Treasury  
Kenny Bao, Treasury

### Guests

Elizabeth Rossman, PERS  
Heather Case, PERS  
David Thornton, DHS

### Absent

Colin Benson, AC Member  
Zechariah Heck, AC Member



## **Introductions**

The meeting was called to order at 9:31 a.m. by Committee Chair Valentine. She welcomed everyone, then conducted a roll call for committee members, to ensure a quorum was present. A quorum was present at the meeting. Each presenter then introduced themselves.

## **Approval of Minutes**

Chair Valentine moved to approve, Gibbs seconded, meeting minutes approved.

## **Old Business**

### Self-Directed Brokerage Option

Jack Schafroth addressed the changes being made to the self-directed brokerage option. Those changes are twofold and that is to allow participants to transfer up to 90% of their balance over to the Schwab self-directed brokerage option. Currently is it at 50%. In addition, what was a \$10,000 minimum balance required before they could participate with the Schwab brokerage account is now \$5,000. OSGP will notify current participants, active or not, of the changes—Moran is working on that.

### Public Comment

Previously, participants that had rolled in non 457 funds, had access to those non 457 dollars, in other words, to take an in-service withdrawal from that portion of their account. If they happen to be under 59 1/2 they were responsible for paying a penalty tax as well as the income tax on that distribution. We found that this was not clearly spelled out in our OAR, and so we put a stop to that practice until we could update the OAR OSGP has begun the process of doing what needs to be done to get the OAR changed.

## **New Business**

### **Proposed Fee increase**

Richard Horsford, CFO for PERS presented information that the current administration fees are not quite sufficient to cover all of the actual costs that are incurred in administering the program Hosford proposed to increase the administration fees from .12% to a .135%. For further information, please see the attached memo. Horsford discussed the reasoning behind the recommended fee increase.

### **Questions regarding the proposed fee increase**

Vice Chair Gibbs stated that he is on the fence with this proposal. He shared that he looked at all his investment accounts Our plan is already the highest. Niemeyer stated that he shares those concerns.

Goulard encouraged the committee to look at the big picture. When all the fees that are assessed to consumers, and in this case specifically it will still be substantially lower than what has been the institutional peer group median. He opined that if one were to ask the average participant, they wouldn't care about the breakdown—they would only ask what the total fee they must pay is.

Schafroth added that, in his experience in doing fees and performance comparisons for participants across the state we are by far the lowest cost plan.

## Motion

Goulard motioned to adopt the recommended option one with the provision that they workout an apples to apples, line-by-line fee comparison.

Chair Valentine seconded the motion. The motion passes with voice vote.

## Informational Items

### 1) Q2 2023 Voya Service Review

Dierdre Jones presented this portion. She updated the committee on SECURE 2.0. If Roth is not offered than employers cannot offer catch up provisions. She also discussed website enhancements and updates to the mobile app such as two-stage authorization to login.

She then gave a plan overview, plan health snapshot and employee engagement numbers for 2Q23 including a net gain of about 700 participants and participation rate of just over 46%.

Chair Valentine asked how the benchmarks that Voya cites are set. Jones answered that do so by putting the plan against other governmental entities at Voya and the same market segment.

### 2) Q2 2023 Communications Update

Jennifer Moran began by highlighting that OSGP and Voya won a communications award and therefore will be at the NAGDCA conference in October to accept. She gave a rundown of communications efforts over the last quarter and future plans.

She also highlighted attendance numbers for all workshops they hosted during 2Q23 as well as current and upcoming educational communication initiatives.

### 3) Q2 2023 Outreach Team Update

Gladys Salguero presented Voya's outreach activities for the plan in 2Q23. This included the number of employer contacts, both virtual and in person presentations, benefit fairs, individual appointments and individual advisory appointments.

She highlighted the team survey results including 91% found the content of the workshops valuable and informative. 87% felt the presenter was knowledgeable and relatable and 51% took action following the presentations.

### 4) Q2 2023 Callan Performance Report

Heaphy reported a strong first quarter. Almost 8.4% for the quarter and over 16% on the year to date. The rally in the markets was helped by a decline in inflation which fell to 4% in May, which was its lowest reading in over two years. The Fed also paused its aggressive rate hike and program and in although we did see most recently in July that they did resume that and increase the interest rates by 25 basis points. Then, over the second quarter, there was a lot of exuberance over artificial intelligence platforms and that fueled certain mega cap technology stocks, which thrilled index returns in those areas.

Equity and the MSI World Ex USA is developed markets was up 3% for the quarter and up over 11% on a year-to-date basis. Emerging markets up .9% for the quarter and 4.89% on a year-to-date basis. Muted returns in the non-U.S. markets, due to their lower technology exposure and other elements but still positive.

Equity markets returns were strongly positive. The Russell 1000 growth which is large cap growth stocks leading the way at 12.8% and the divergent between growth and value was pretty evident this quarter with the rest of 1000 value large

cap value stocks of only four point 1% and a similar divergence within the small cap space. The Russell 2000 index is the broad US small CAP index, 5.2%, and then between that the growth and value would growth outperforming as well. Heaphy continued covering the US Equity and Global Equity numbers for 2Q23.

She then went on to go over US Fixed Income the total market value as a June 30th was over 3.2 billion and then going over 2 columns and that new investments into the plan over the quarter were 12.2 million. investment gains over the quarter were over 142,000,000.

Tseng took over at this point. The first two quarters of 2023. Positive return this quarter about 5% last over the last year, which is for someone near to retirement makes sense, more conservative. The most equity heavy fund within the series on the last year basis up 15.5% now so and that's almost 6% for the quarter, so very strong returns overall. He went thru each LifePath Index fund and discussed those returns as well along with all the other investment funds that are a part of the OSGP plan. Callan's full presentation is on OSGP website [GrowYourTomorrow.com](http://GrowYourTomorrow.com)

#### **5) Q2 2023 Treasury Update**

Claire Illo gave the Treasury update which included the following:

- 1) The international Stock Option change. after that meeting on May 31st staff and Callan, we presented to the OIC to add the Black Rock, MSI, Apple XS triaging as an independent passive international stock option within OSP. Then to restructure the current international stock option within O within OCP by terminating three of the underlying managers, which are again if you are international equity, DFA international for equity and then Wizard International Equity and we would be replacing those 3 managers with two higher conviction managers that are currently also in the opera pension plan public equity portfolio which are again the Canadian Act, we ex US value and then the Walter Scott Strategy, both of those recommendations were approved by the Oregon Investment Council in May.
- 2) Leadership change at Lazard. Kenny Bao went over these changes.

All details are available in the online packet.

#### **Questions regarding the Treasury update**

Schafroth asked, since fees has been an issue today, will this change impact the fees and the you know in a lower a lowering of the fees in our current international, what are the projected fees of the new passive, the passive one I believe is good, there are six basis points 6 so very low because it's a passive and then for the active international and I think it was going to increase it to around 55. Illo answered in the affirmative.

#### **6) Q2 2023 OSGP Update**

Schafroth gave a program update. Jennifer Moran and Schafroth are looking over the Voya participant website to make sure it is user-friendly etc. They are also preparing for the Expo coming in October. He also gave a local government update stating that things will pick up once school begins.

Sam Paris took a few minutes to honor the passing of OSGP Manager, Debbie Childers.

#### **Round Table**

No roundtable items were raised.

**Adjournment**

There being no further business, Chair Valentine adjourned the meeting at 11:30 a.m. The next meeting is scheduled for November 15, 2023

Respectfully submitted,

Jack Schafroth,  
OSGP Manager  
Interim