



Retirement Plans Investment Committee Meeting

Friday, February 8, 2019, 9:00 am – 2:00 pm

Meeting Site: HR Conf. room, 677 E. 12th Ave., Suite 400

Eugene, Oregon

MINUTES

Attendees

Committee: Larry Dann, Karen Levear, Richard Bailey, Lindsay Buyserie, Penny Burgess, Kelly Wolf, John Becker-Blease (call-in)

RPM: Gay Lynn Bath, Crystal Farset, Katy Hatfield

UO General Counsel Office: Craig Ashford

Callan: Ryan Cunningham, Anne Heaphy, Ben Taylor

Fidelity: Shawn Crosgrave

TIAA: Joe Baumann, Dorothy Chin, Rick Berry

VALIC: Cameron Clear and Michael Hart

1. Welcome and Introductions

- a. The meeting opened with only committee members, RPM, UO Counsel and Callan team in attendance.

2. Adoption of Minutes from 11.9.18

Dann asked if any committee members had any suggested changes for the minutes. A few minor wording changes were suggested prior to the approval vote

MOTION to approve Minutes of Fidelity session

Buyserie moved to approve

Becker-Blease seconded

THE MOTION PASSED UNANIMOUSLY

MOTION to approve Minutes of TIAA session

Becker-Blease moved to approve
Burgess seconded
THE MOTION PASSED UNANIMOUSLY

MOTION to approve Minutes of VALIC session

Bailey moved to approve
Becker-Blease seconded
THE MOTION PASSED UNANIMOUSLY

3. Reports on Non-Participant Accounts

All three vendors have participant fees. VALIC can only be assessed on mutual funds. Once these fees build up, we will no longer collect from annuities. TIAA collects revenue shares, and any amount in excess is returned to participants. Dann asked if participants can see those returned dollars in their accounts, which was confirmed. Forfeiture accounts are now distributed to campuses on an annual basis using credits. Campuses are assigned these credits based on their contributions for that pay period. Dann asked for a brief description of what is included in the forfeiture accounts. Bath replied that it consisted primarily of employer contributions for those who are terminated prior to vesting, and corrections that are more than a year old. Last year this amounted to approximately \$800k.

4. Callan 4th Quarter Executive Report

Cunningham reported the capital markets update, beginning with a global markets. Levear asked about the Brazil numbers, which Cunningham deemed to be directionally correct in his analysis. He feels that emerging markets, such as Brazil, tend to swing a lot, but added that the movement might indicate that their economy is on the uptick. Taylor noted that the China stats may be affected by audit controls and the accounting standards that they are using. He is more confident of China's broader GDP growth. Taylor presented information regarding DC trends and the brewing regulatory rulings around IRS investigations, which focus on ERISA plans. He explained that some of the issues included plans with multiple vendors, and problems with payroll systems that allow contributions that exceed limits. Regulators want to see that cleaned up. He also commented on the big drive to expand access to Multi-Employer Plans (MEPS), which is similar to how OPURP is structured. One of the key elements is that there must be a common nexus or industry alignment. Higher Ed is well suited for a MEPS. Taylor also mentioned that the IRS is working on rollouts of de minimis accounts by simplifying withdrawal rules.

Bailey asked Bath if we monitor contribution limits for overages. Gay Lynn confirmed that participant accounts are monitored and vendors run reports prior to the end of the year, so any issues can be identified. Farset commented that most over limit situations

occur when paper checks are issued outside of the normal pay cycles. Dann asked about any new litigations. Taylor replied that there were no new concerns. Cases were primarily focused on administration of loans, excessive costs of having multiple record keepers and ongoing governance issues.

5. Miscellaneous Issues

Bailey presented information on the Callan conference that he attended. He was impressed with the depth of knowledge of plans, and the economy. Session speakers addressed how technology will make improvements in the world economy, the impact of our aging population, and how Japan will impact international markets. He felt it was a very positive experience and that he learned a lot. Bath had similar comments and greatly enjoyed the list of speakers and topics. She also commented on the networking opportunities, and the strong benefits of meeting with other plan directors from colleges across the US. She felt it was very well worth the time.

Fidelity Session

Joining the meeting was Shawn Crosgrove from Fidelity.

a. Callan Q4 Performance Report

Heaphy reviewed the Fidelity performance report for 4th quarter. Dann asked if their future reports could more clearly note contributions and withdrawals over the period, which he suggested may show participant behavior. Heaphy agreed that they could add that. Buyserie asked if the change in the number of participants from quarter to quarter could also be added. Dann commented that it would also be helpful to have footnotes that include definitions of what a selected fund consists of—such as the Fidelity Freedom Funds and Callan Target Date Funds. Heaphy explained that this information is included in the text of the report, but agreed that a brief explanation as to the construction of the fund could be added as a footnote on the data pages. Dann also asked that the note include how comparators were chosen.

Dann asked if Callan's reporting included an automatic "watch" rule for underperforming funds. Heaphy noted that the "stoplight" pages provide that information, but that they could add something that would show this explicitly. Dann would just like to see something that clearly flags performance below the automatic watch list thresholds.

Action Items: Callan to note contributions and withdrawals over the specific period covered and to add footnotes that included more fund detail and information on how benchmark was chosen. Add more specific "watch" notices.

Callan will add fund fee page to performance reports.

Callan will remove DC Trends section from the individual performance reports (it will be only in Executive report)

Callan will note the difference between the target date funds and relevant peer groups.

b. Fidelity Q4 Report

Crosgrove presented an overview of Fidelity's report for the 4th quarter. Dann asked if the report could also report medians in addition to averages, which he felt will provide greater information. Crosgrove will add to future reporting. Bailey asked about "transaction based" fees, to which Crosgrove replied that this is how the record keeping fees are captured. Previously this was not shown in this way. Dann asked Crosgrove to comment on the amount of withdrawals. Crosgrove indicated that this can be turnovers, and does not include net exchanges. Levear asked about the total value of outstanding loans and requested that the number be included in future reporting. Crosgrove agreed to do a year-end trial balance and send it to the group.

Action Item: Add median in addition to averages, and total value of outstanding loans to report.

c. ORP Self-Directed Brokerage

Recently, Bath had inquired about the possibility of adding a more broad self-directed brokerage account to the 401(a) that could include stocks, bonds, and possibly ETFs as the 403(b) is limited to only mutual funds. The industry is moving toward full brokerage list being available to participants. Bath commented that NAGDCA is talking to legislators in DC about bringing CITs to the 403(b) lineup. Crosgrove brought up possible use of ETFs under the 1940. He will send committee more information on this.

Dann tabled the discussion regarding the SDBA for the ORP until either later in the meeting or it will be moved to the next meeting of the committee.

Dann asked the Fidelity team to pull together information on what investments would be eligible for self-directed brokerage account in ORP. He asked that the information be disseminated to the committee and that the committee be prepared to discuss and vote on this proposal at the May meeting.

Action Items: Get a list of possible investments to put in ORP SDBA from Fidelity. Crosgrove to send information regarding 1940 Company Investment Act and use of ETFs in 403(b) plans.

TIAA Session

Joining the meeting from TIAA were Joe Baumann, Dorothy Chin and Rick Berry.

Callan Q4 Report

Cunningham presented the 4th quarter data on the \$578 million of total plan assets. Dann asked about the characteristics of Benefit Responsive vs. Non-Benefit Responsive. Cunningham described the basic ORP as being a Non-Responsive group, while funds placed in a 403(b) allows for money to be accessed in certain circumstances.

Cunningham let the group know that TIAA Large Cap Value funds were struggling, but were not presently on the watch list. Dann asked whether looking back a quarter would qualify it for the auto watch list. Cunningham indicated that it depends on the structure of evaluation, but that if it continues in this path, it will. The committee members agreed that they would keep an eye on it. Dann asked Cunningham to bring it to the attention of the committee if/when the fund is put on the watch list.

TIAA Q4 Report

Baumann reviewed an executive snapshot of 4th quarter results. He noted that returns were down a bit due to market conditions, but that the plan includes \$70 million in contributions with over 3,000 active participants. Dann asked that the report display both medians and average figures.

Chin reported that they had 475 one-on-one consulting sessions, across the seven campuses, and in every area, the Oregon Public Universities plan is ahead of the benchmarks. Dann asked about the high contributions in the TIAA traditional funds, which Baumann confirmed was due to participants who have been with TIAA for a long time. Dann was glad to see a report on those participants with less than \$5,000 in their combined 401(a) and 403(b) accounts.

Action Item: Add medians to the report.

Update on Amendment to implement 7 bps fee

Baumann indicated that they are making progress in moving all revenue funds to zero revenue share. He went on to say that in 2018 all mutual funds became zero revenue share. For those accounts that do have revenue share; RPM will return any excess to participants after paying plan expenses (e.g. consultant, meetings, communication)

Bailey asked about fee leveling and indicated he would like to see this happen sooner than later.

VALIC Session

Joining the meeting from VALIC were Cameron Clear and Michael Hart.

Callan Q4 report

Heaphy reported that the VALIC mutual fund line-up was essentially the same as Fidelity. Dann asked them to explain the use of ACWI ex-US vs. EAFE benchmarking. Heaphy replied that they typically go with what the fund uses, so it would be the benchmark used by the fund manager. The majority of the lineup is not changeable.

VALIC Q4 2018 Report

Clear informed the group that there were 98 conversions over the year; most are rolling over to Fidelity, Schwab and small shops. Dann asked about getting a copy of what a typical communication would be to OPU members regarding their options for lowering their fees. Clear will provide this information with a copy of the latest mapping information and send them to Bath for the group. He will also provide a letter used to let OPU participants better understand their options within a few weeks. Dann asked that medians are included in future reports provided to the committee. Clear provided a 403(b) plan summary, stating that there is currently \$22.5 million in assets, with no new enrollment.

Action Items: Add medians to reports. Get a draft of a communication piece from VALIC regarding mutual funds.

Update on Amendment to assess 3 bps fee/Quarterly payments

Clear reported that he is working on making the 3 basis points fee be automatic. Bath is working with counsel on amending the service agreement regarding the fee.

Action Items: Ask Callan to send their reports to the vendor prior to the meeting. RPM will set up links for plan materials rather than email the PDFs. RPM will work with vendors regarding participants in TDFs to ensure they are using them correctly and also to those in only one fund to communicate something regarding diversification.

Public Comment

Dann asked for any public comment. None was offered.

MOTION

Buyserie moved to adjourn the meeting.

Levear seconded.

THE MOTION PASSED UNANIMOUSLY

Meeting was Adjourned.