

Retirement Plan Redesign Concepts

2007



Oregon
University
System

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

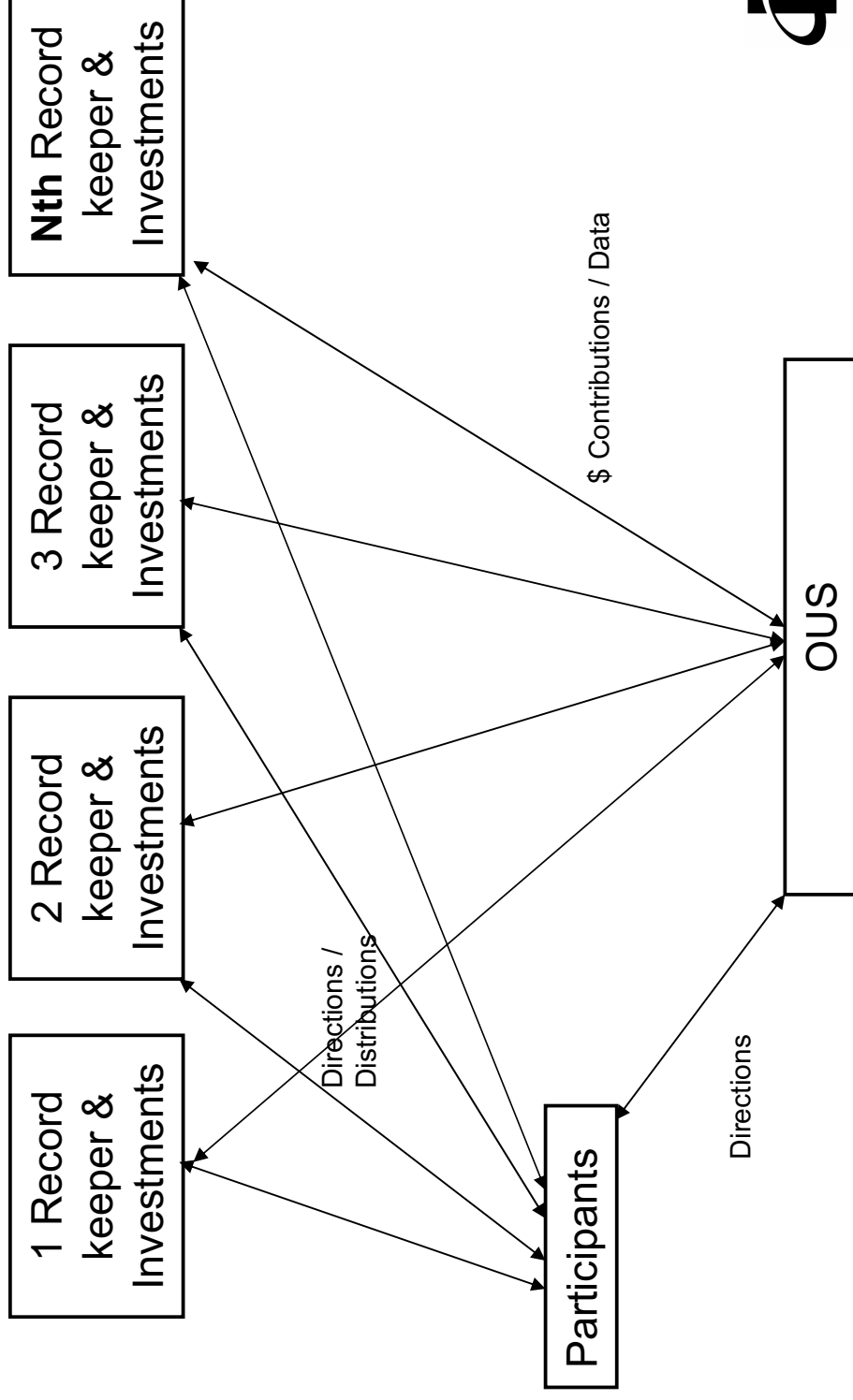


Plan Components

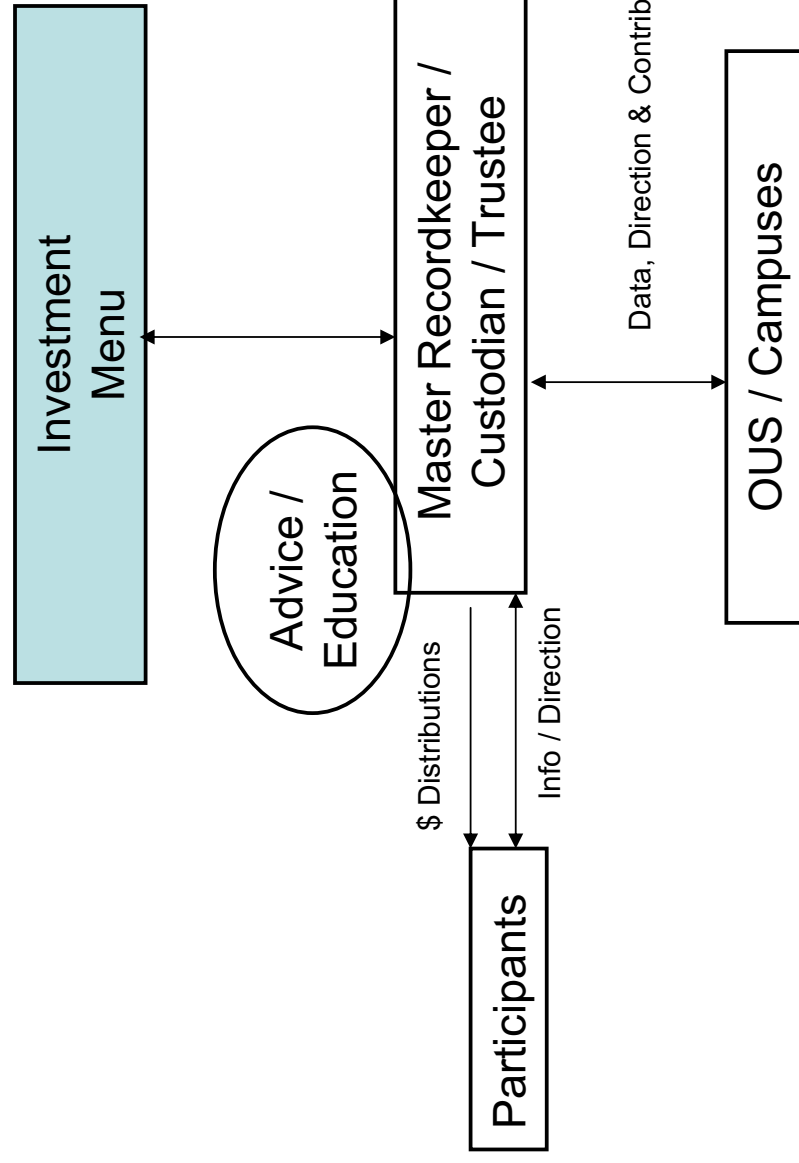
- **Investment platform**
 - Mutual funds, fixed annuities and variable annuities
- **Recordkeeping/Trust & Custodian platform**
 - Transactions & Statements
 - Participant Services
 - Advising and Education



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**
- **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 individual purchasers
- **Consolidated recordkeeper is a foundation to drive down costs for all participants and to improve participant access and education**
- **Investment advice by a neutral third party**
 - Online financial engines and account mgmt
 - In-person assistance
 - Retiree distribution planning
- **No new fees for mutual fund window/self directed account**



End Goals

- Encourage and support employees' voluntary savings for retirement
- Top tier investments, responsive to participant preferences
- One-stop-shopping for easy participant service
- 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.

