

OUS Retirement Plan Redesign Update

December 4, 2006

Summary of Concerns

- OUS is moving too quickly on this and without much faculty input (they claim they have full support of IFS but some IFS representatives have grave concerns; no other faculty group was consulted. Individuals in UO Business School were consulted but they all have serious concerns [Chalmers, Reuter, Wagenknecht])
- OUS is shifting the cost of recordkeeping to participants
- The Best in Class Investment Platform model ignores all research that says cost is the most accurate predictor of successful investments
- Eventually the participants will be responsible for paying for the financial consultant
- In part the redesign is being driven by new Treasury Regulations governing 403b plans, but these regulations haven't been approved and keep getting postponed so we don't know what conditions we are trying to satisfy
- Portability may be a big problem
- When the consultant replaces one best in class fund with another participants will have to switch funds
- Dearth of OUS Investment Committee members with in-depth knowledge of investments
- Concerns of senior administrators (UO, OSU, ...)

Progress

- UO Senate and Senate Budget Committee wrote strong letter about plan redesign and ORP decoupling to UO President Frohnmayer and asked that it be sent to the OUS Board (Frohnmayer forwarded it to the Board)
- UO Senate has contacted OSU Senate and wants to work together on this
- UO President and other key UO administrations expressed concern at November Board meeting and have been speaking to counterparts at other institutions
- OUS President Ed Ray now has concerns
- Chancellor Pernsteiner is aware of faculty concern and is looking at proposed plan redesign
 - He is addressing various institutional Senates around the state
 - At November 29, 2006 UO Senate Meeting Chancellor Pernsteiner said he asked each Senate President to appoint 2 faculty members to a new investment advisory committee that will look at the whole retirement plan redesign. [UO Senate President appointed Joe Stone and Larry Singell, both from the UO Economics Department
 - Chancellor Pernsteiner announce that OUS will not pursue either decoupling the ORP employer rate or pulling out of PEBB in the next biennium but said that both issues would be revisited in the subsequent biennium
- Jay Kenton, OUS Vice Chancellor for Finance and Administration, admits design has problems and that process must be slowed down
 - Jay Kenton will meet with the UO Senate Budget Committee, administrators, and others on December 14, 2006