



**STATE OF OREGON
OREGON STATE TREASURY**

900 COURT STREET NE, ROOM 159
SALEM, OREGON 97301

Oregon Retirement Savings Board

Agenda

Tuesday, March 14, 2017

9:30am – 11:30am

OST – Tigard Office
Mt. Hood Board Room
16290 SW Upper Boones Ferry Road
Tigard, Oregon

Conference Line #: 877.336.1828 Access Code: 1691288

WebEx Link: <https://orost.webex.com/orost/j.php?MTID=m16d3332e603544faa2a16f4342defd1b>

CALL TO ORDER

There will be an opportunity for public comment before the end of the meeting.

ACTION ITEMS

- | | | |
|---|------------------------------|-------------|
| 1. Review and Approval of Board Minutes | Treasurer Tobias Read | 9:30 |
| a) February 21 Board Meeting | ORSB Chair | |
| b) <i>No approval needed, provided for reference</i> – January 12 Board minutes, as amended | | |
| 2. Investments | Glenn Ezard | 9:35 |
| a) Treasury Retirement Savings Bond – Recommendation to Approve | Segal Marco Advisors | |
| b) Investment Policy Statement – Recommendation to Adopt | | |
| 3. Financial Advisors: Guidance on Approach – Proposal for Discussion | Joel Metlen | 9:55 |
| - in the context of overall outreach & engagement | Manager, Public Engagement | |

| | | | | | | | |
|-------------|-------------|-----------|--------|----------------|-----------------|------------------|--------------------|
| Tobias Read | Kara Backus | Lee Beyer | | Pam Marsh | Juanita Santana | Cory Streisinger | Lisa Massena |
| Treasurer | Member | Senator | Member | Representative | Member | Member | Executive Director |
| Chair | | | | | | | |

INFORMATION ITEMS:

- | | | |
|---|--|-------|
| 4. Rulemaking Update | Kim Olson Senior Policy Advisor | 10:15 |
| 5. Legislative and Legal Update | Chelsea Brossard Policy Director Jen Peet Director of Legal Affairs | 10:25 |
| 6. Implementation Planning and Progress | Alex Nelson Project Manager Joel Metlen Manager, Public Engagement | 10:35 |
| 7. Contract Status | Lisa Massena Executive Director | 10:45 |

| | |
|-----------------------|-------|
| PUBLIC COMMENT | 11:00 |
|-----------------------|-------|

Next Meetings

Board Meeting, April 18, 2017

Adjournment

| | | | | | | | |
|-----------------------------------|-----------------------|----------------------|--------|-----------------------------|---------------------------|----------------------------|------------------------------------|
| Tobias Read Treasurer Chair | Kara Backus Member | Lee Beyer Senator | Member | Pam Marsh Representative | Juanita Santana Member | Cory Streisinger Member | Lisa Massena Executive Director |
|-----------------------------------|-----------------------|----------------------|--------|-----------------------------|---------------------------|----------------------------|------------------------------------|

Minutes – January 12

(Amended , Reference only)

Minutes – February 21

Oregon Retirement Savings Plan
Board Phone Call Minutes
January 12, 2017
9:00am – 9:30am

Board members present:

Chair, Tobias Read
Kara Backus
Cory Streisinger

Board members absent:

Senator Lee Beyer
Juanita Santana

Treasurer Read called the meeting to order at 9:02, recognizing there were three voting members present on the phone.

Board Action:

Request for Board to approve a revised set of rules to submit for inclusion in the Secretary of State's Bulletin.

Treasurer Read asked that Lisa Massena summarize the related sequence of events. Ms. Massena summarized: In October 2016 the Board published proposed rules for the plan, with a comment period to close on December 23 and a public hearing scheduled for December 15. Due to inclement weather and state office closure, Staff was unable to hold the public hearing. Staff recommended a review of comments to date, incorporate of revisions that could be readily accommodated, and publication of a revised proposed rules be published along with an extended comment period and rescheduled public hearing.

Cory Streisinger requested confirmation that these rules are the next set of proposed rules and not the final rules.

Ms. Massena confirmed these are still proposed rules with the public hearing rescheduled for February 15 and the comment close period to be February 22. A copy of the original, markup, and revised proposed rules were provided.

Kara Backus shared with the Board that under Division 25, there was a change made that allows employers to limit election changes to one change per month. There had also been discussion on allowing employers to limit changes to quarterly; Ms. Backus asked if that had been discussed.

Ms. Massena gave background information stating that the previous language said the employee could make a change with the employer at any time, and the only changes that could be made with the employer are changes to contributions. There was a comment that any time seemed like it could be burdensome to employers, and that it should be changed to quarterly.

Treasurer Read did not want to take up the Board's time going through each of the comments, and stated the Board would have a chance to discuss the comments as the process moves forward.

MOTION: Treasurer Read asked for a motion to approve these proposed rules to submit to the Secretary of State so that they can be included in the February 1 Bulletin. Cory Streisinger moved that the Board approve and make the submission. Kara Backus seconded the motion. The proposed rules were approved for submission to Secretary of State by a 3/0 vote.

The call was adjourned at 9:22am.

Oregon Retirement Savings Board
Minutes
February 21, 2017
9:30am – 11:30am

Board members present:

Chair, Treasurer Tobias Read
Kara Backus
Juanita Santana
Cory Streisinger

Board members on conference line:

Representative Pam Marsh

Board members absent:

Senator Lee Beyer

Oregon State Treasury staff present:

Karl Cheng, Equity Portfolio Manager & Trader
Michael Viteri, Sr. Public Equity Investment Officer
James Sinks, Communications Director, Shared Services Division
Alex Nelson, Sr. Project Manager
Kim Olson, Sr. Policy Advisor
Joel Metlen, Manager, Public Engagement
Lisa Massena, Executive Director
Missy Simpson, Executive Assistant

Treasurer Tobias Read, Chair, called the Oregon Retirement Savings Board meeting to order at 9:35am.

As the Board meeting began, Treasurer Read welcomed OregonSaves' newest Board member, Representative Pam Marsh, from Ashland. Representative Marsh introduced herself and her district.

Agenda Item 1a and 1b – Approval of the minutes of the January 12 and January 18, 2017 meetings of the Oregon Retirement Savings Board (ACTION ITEM)

Board Action

Motion to approve the minutes of the January 12 and January 18, 2017 meetings of the Oregon Retirement Savings Board.

Kara Backus requested a change to the minutes from January 12. There was conversation around the frequency of employee-initiated changes to their elections, and how often these changes could be made. Ms. Backus would like this added to the minutes.

MOTION: Treasurer Read asked if any Board members had any other changes they wanted made to the minutes. Cory Streisinger moved approval with the change Kara Backus noted. Juanita Santana seconded the motion. The January 12 and January 18 minutes were approved by a 4/0 vote.

Agenda Item 2 – Ascensus Contract – Request to Approve

Lisa Massena updated the Board on the ongoing work with the Ascensus contract. Cynthia Byrnes from Department of Justice joined by phone to respond to questions or concerns, if any. Ms. Massena reviewed a recommendation and request for the Board to delegate staff the authority to negotiate and execute the Plan Administration and Management contract with Ascensus.

Before continuing with the background on the specifics of the contract, Treasurer Read wanted to make sure that Representative Marsh had been updated on the work with Ascensus. Ms. Massena confirmed she had met with Representative Marsh by phone to bring her current.

Ms. Streisinger asked if an implementation schedule would be built into the contract for adding on a Traditional IRA option, the ability for self-employed individuals to participate, and adding on the ability to do rollovers? Ms. Streisinger was not comfortable taking a vote without having a term sheet in front of the Board.

Treasurer Read asked for a short break so that Ms. Massena could give the Board a timeline of work from Ascensus.

After continuing with other agenda items, the Board returned to agenda item 2. Ms. Massena gave the Board a copy of the term sheet for Ascensus, and a brief overview. There was much discussion on the fee schedule and a request to consider how to handle declining balances in accounts holding money market assets, if costs exceed returns.

MOTION: Cory Streisinger moved the Board delegate authority to the executive director to continue negotiations and enter into a contract consistent with these terms. Kara Backus seconded the motion which passed by a 4/0 vote.

Agenda Item 3 – Investments – Recommendations, Discussion, Selection/Approval

Glenn Ezard and Peter Gerlings, from Segal Marco Advisors, presented to the Board their recommendations for the Investment portion of the Plan. The three finalists presented by Mr. Ezard were American Funds, State Street and Vanguard. After comparing these three firms, Segal recommended the Board select State Street's Target Date, Government Money Market, and S&P 500 Index Funds for use in OregonSaves.

Ms. Backus wanted to know the pros and cons for selecting the same manager for multiple funds. Mr. Ezard stressed that Segal wanted to keep the approach as simple as possible, and that having one high quality manager would be a simple way to start the program.

MOTION: Segal Marco Advisors recommended that State Street be selected to manage the Target Date Fund, S&P 500 equity fund, and the government money market investments, as the backup to the Treasury Retirement Savings Bond option. Ms. Santana moved the approval to obtain State Street for all three options. Ms. Backus seconded the motion. State Street was approved to handle all three options by a 4/0 vote.

Agenda Item 4 – Rulemaking – Board Comments to Current Proposed Rules

Kim Olson introduced herself and walked the Board through the five main components of the rulemaking comment period. The comment period for the rules will end on Wednesday. As of close of business, February 20, there were more than 20 written comments received. The public comment meeting was held on February 15. There were 20 people in the room and another dozen on the phone including Ms. Streisinger; 9 people provided oral commentary. Ms. Olson supplied the board with topics that will need to be discussed before staff can proceed.

- **Capital Preservation** – The Board should consider a start-of-savings capital preservation concept that focuses on a specific dollar amount instead of a time period such as 90 days. Staff recommends capital preservation at the \$1,000 threshold, with contributions above \$1,000 to flow to the participant's standard Target Date Fund unless a participant has elected otherwise.
- **Auto-escalation** - The two issues the Board should consider are: when auto-escalation should begin for the program, and when the plan should schedule the annual re-occurrence of auto escalation. Staff recommends the Board choose a single date for auto-escalation and that date be January 1, 2019 for employees who enrolled in the Plan on or before January 31, 2018. Subsequent auto-escalation should occur on January 1 of each year.

Treasurer Read asked for clarification on whether someone could be grandfathered in if they started on January 2 instead of January 1. Ms. Olson explained that it would be just the first wave participants that would be grandfathered in, so they stay together. Participants can increase their savings rates any time. Auto-escalation would happen on an annual basis to simplify for employers.

Treasurer Read asked that Staff flag auto-escalation and discuss the topic in more detail at a later date.

Kara Backus and Cory Streisinger would like staff and the Board to look more into the auto-escalation portion of the rules.

- **Inclusion of Traditional IRA Accounts** – staff recommends having the traditional IRA. Ascensus is working on evaluating bringing traditional IRAs online.

Ms. Streisinger brought up an issue with the Roth IRA and it having an income limit. The first wave of participants starting January 1, 2018, their money goes into a Roth IRA. When they do their taxes in the spring of 2019, and some employees find out they will be effected by the income limit, they will not be eligible for the Roth IRA. The tax law allows them to re-characterize into a traditional IRA, as long as it is before the April date. Ms. Streisinger suggested the Traditional IRA option be available the first quarter of 2019, so there will not be any problems.

Ms. Backus wondered if Ascensus would be able to flag employees whose 5% would make them ineligible for the Roth IRA.

Scott Morrison, from Ascensus, addressed this issue. One of the things Ascensus wants to do in implementing something immediately with Traditional IRA, is to track a reason code when employees opt-out of the program immediately, and put a reason code in there, including one such as I am opting out because my income level is too high, and I would be interested in a Traditional IRA. Ascensus can then build a prospect database, and email those people when the Traditional IRA is available.

- Employer Exemptions – Staff is recommending the language to say, the employer can file a certificate of exemption with the plan by certifying that the employer offers a qualified plan to employees. If you have a qualified plan then you are exempt. The second point was on the Conditional Certificate of Exemption language. Staff's recommendation is that the Board remove the requirement to file a conditional certificate of exemption altogether, because the recommendation was originally meant to be there so the ORSP would pick up those employees who had an employer who had a qualified plan but they were not eligible for it. If an employer files a certificate of exemption, that certificate is only going to be valid for three years and then can be renewed following the process of recertification that the plan will establish.
- Technical comments from Ascensus – Ascensus is providing significant technical comments and the Board should take those into consideration.

Agenda Item 5 – Legislative Update, Oregon and National

Lisa Massena presented to the Board bills that were being introduced in the Oregon Legislature and at the National level. In Oregon, four bills were introduced:

1. SB 404 – Sponsored by Senator Ferrioli and Senator Knopp. Prohibits automatic enrollment in the Oregon Retirement Savings Plan;
2. SB 405 – Sponsored by Senator Ferrioli. Repeals the Oregon Retirement Savings Plan;
3. SB 603 - Sponsored by Senator Knopp. Relates to a contract preventing contributions to the Oregon Retirement Savings Plan from being combined with moneys in the Public Employees Retirement Fund;
4. HB 2229 - Sponsored by Representative Whisnant, Representative Barreto, Representative Nearman, and Representative Smith. Related to instruction in financial literacy and requires school districts to offer instruction in financial literacy;

At the National level, two Republicans have introduced a pair of joint resolutions (HJR 66, HJR 67) that would roll back the 2016 Department of Labor expanded safe harbors for states and cities, if approved. The resolutions have passed through the House, in a mixed vote and are scheduled to be heard on the Senate floor as soon as next week.

Chair Read stated while he was at NAST last week, there was a good reception to a proposed letter that resulted in several states signing a letter against the joint resolutions. The states that signed the letter were Treasurer Read, Treasurer Chiang from California, and Treasurer Frerichs from Illinois. Another letter resulted with 15 additional Treasurers signing for states' rights.

Ms. Backus was curious if the safe harbor will go away if the resolution passes. Treasurer Read replied if the rules are no longer valid, the safe harbor still applies, but is less explicit.

Agenda Item 6 – Marketing / Outreach

Joel Metlen talked about his work in engaging financial advisors and reaching out to the community to engage them, provide information, and make connections for development of the plan. Mr. Metlen has reached out to the professional organizations and is trying to get the word out about the program. The financial industry would be able to see how the overall package of the retirement savings option could fit in with their expertise. They could help Oregonians by informing them about what options are available to them.

Some of the other options Mr. Metlen presented to the Board for engaging financial advisors were:

- Training by OST and training with other organizations
- Include financial industry to help produce material and send out to the community
- Create a database
- Connect financial advisors with people who are going to be faced with a choice on this plan
- Referrals

Chair Read asked Mr. Metlen to bring this item back for further discussion at a future Board meeting.

Mr. Metlen provided an update on financial literacy. Treasury staff made recommendations to the Legislature in late 2016 as part of a required report. The next step will be to meet with Governor's office and see if they are comfortable with the recommendations and see what role they want to have.

Agenda Item 7 – Implementation Planning and Progress

Alex Nelson explained to the Board his role as project manager and provided an update on program processes and tools. Alex gave the Board a brief overview of the governance structure, meetings and risk management and reporting associated with the program.

Scott Morrison, Chief product officer of Ascensus, gave a brief update on the Ascensus' Progress related to technical development.

- 90% complete on the employer and employee setup development
- Regular demo sessions with Staff
- Distributed a survey to pilot candidate employers to determine e-mail availability, payroll and funding methods.
- Public web sitemap approved in January.
- Working on the hiring for the plan, which will be completed within the next 4-6 weeks

PUBLIC COMMENT:

Carolynn Kohout, homecare worker and personal support worker, who lives in Washington County, expressed her interest in OregonSaves, and would like to help spread the work about the program.

Next meeting is March 14, 2017.

Meeting was adjourned at 11:54 am

Investments

Glenn Ezard – Segal Marco Advisors

OregonSaves

Board Recommendation

March 14, 2017

Plan Investments – Treasury Retirement Savings Bond

Recommendation

Segal Marco Advisors recommends that the Board formally select the Treasury Retirement Savings Bond, if and as offered, as its primary Capital Preservation investment.

Background

In December of 2016 following a presentation by the US Treasury, the Board wrote a letter to the US Treasury formally requesting that the Treasury Retirement Savings Bond (TRSB) be made available as a capital preservation option for savers in OregonSaves - *letter attached*.

The TRSB has been included in the Board's investment-related discussions and policy, but has not been formally selected by the Board in its actions to date.

The TRSB offers an investment backed by the full faith and credit of the US Government, with daily liquidity, and with a crediting rate based on a basket of all US Treasury securities with maturities of four years or more – similar to the Federal Thrift Savings Plan G Fund. As of March, 2017 the equivalent crediting rate was 2.375%.



STATE OF OREGON
OREGON STATE TREASURY
159 STATE CAPITOL, 900 COURT ST NE
SALEM, OREGON 97301-4043

December 19, 2016

Dave Lebryk
Fiscal Assistant Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

Sheryl Morrow
Commissioner, Bureau of the Fiscal Service
U.S. Department of the Treasury
401 14th Street NW, Suite 545
Washington, DC 20227

Dear Assistant Secretary Lebryk and Commissioner Morrow:

When it begins in July 2017, the Oregon Retirement Savings Plan will be the nation's first operating state-sponsored auto-IRA plan -- and will eventually offer as many as 1 million Oregon workers the opportunity to save via payroll deductions, something they are not able to do now.

In Oregon, we are eagerly looking forward to the launch: It will be a watershed moment for helping to begin to cope with a massive, multibillion-dollar and ever-growing savings gap, a gap that already threatens our economic vibrancy, strains our budget-stressed safety net programs and jeopardizes the quality of life for Oregon families from border to border. To prepare, we are focused on ensuring the plan is both simple and well-designed to meet the long-term best interests of savers.

As part of that goal, the Oregon Retirement Savings Board would like to make available a capital-preservation option for savers who wish to limit their risk exposure. Based on conversations with U.S. Treasury Department staff and a presentation by U.S. Treasury to the Board at its meeting on December 6, 2016, the Board has resolved to express its strong interest in incorporating the Treasury Retirement Savings Bond in the Oregon plan; this letter is the physical expression of the resolution passed by the Board.

We are requesting that you confirm as soon as possible that the Bond can be included as an option. The U.S. Treasury Bond is envisioned as serving those Oregon plan participants that explicitly select it. The Board has signaled that it expects to use diversified target date funds as the default choice.

We believe this option would offer a substantial value for a significant number of Oregon savers. It would be beneficial for savers to have this readily accessible conservative, complementary investment option that benefits them and allows them to develop investing confidence.

We are excited about the possibility of including the Treasury Retirement Savings Bond as a component in the Oregon Retirement Savings Plan, and stand ready to support you in bringing this to fruition.

Respectfully,

A handwritten signature in black ink, appearing to be 'Ted Wheeler', followed by a long horizontal line.

Ted Wheeler
Oregon State Treasurer
Chair, Oregon Retirement Savings Board

cc: Mark Iwry, U.S. Department of Treasury
Richard Ludlow, U.S. Department of Treasury

OregonSaves

Board Recommendation

March 14, 2017

Plan Investment Policy Statement

Recommendation

Segal Marco Advisors recommends that the Board formally adopt the attached Investment Policy Statement for the operation of OregonSaves.

Background

The proposed policy has been developed over time in a series of Board discussions and education meetings, as noted following.

This policy reflects comments of the Board to date, and has very modest changes from the previous version, primarily to reflect the specific nature of the investments selected by the Board at its meeting in February, 2017.

The board has been supported by its consultant, Segal, in the development of this policy over a series of conversations and workshops, including:

- September 2016 – introduction investment policy concept and approach
- October 2016 – Board Education Meeting focused on discussion of Investment Policy in the context of Board fiduciary responsibilities
- November 2016 – Board investment overview and introduction of model investment policy statement
- December 2016 – Board Education Meeting focused on investment policy and investment decision readiness, inclusive of first draft Investment Policy Statement
- January 2017 – investment decision planning and general discussion – led by Segal

Oregon Retirement Savings Plan

Investment Policy Statement

March 2017



Oregon State Treasury

www.ost.state.or.us

Investment Policy Statement

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Overview

Introduction

HB 2960, passed by the Legislature in 2015 and codified at ORS 178.200-178.245, established the Oregon Retirement Savings Board (the “Board”) and directed the Board to develop a simple, voluntary, work-based retirement plan for Oregonians lacking access to a plan through their employer. The Oregon Retirement Savings Plan (“ORSP” or the “Plan”) is intended to increase the retirement savings of Oregonians by improving access and providing well-managed investment funds for savers.

At the time of passage, an estimated 1 million Oregon workers were eligible to participate in the Plan. About 60% of the 1 million worked for an employer who did not offer a retirement savings plan at all; these employees were intended to be enrolled in the Plan on an opt-out basis. About 40% worked for an employer who offered a plan, but not to all employees, or were self-employed (including working on a contract basis); those workers were intended to be enrolled on an opt-in basis. The combined set of workers worked for as many as 100,000 employers, who were expected to facilitate their employees’ participation in the Plan on a mandated or employee-requested basis.

Simplicity, efficiency, and ease of use are core characteristics of the Plan.

Purpose of the Investment Policy

This “Investment Policy Statement” (“Policy”) defines the investment objectives of the Oregon Retirement Savings Plan and establishes policies and procedures for creating the highest probability that these investment objectives are met in a prudent manner that is consistent with established guidelines for equivalent defined contribution programs, governing rules and regulations, and standards adopted by the marketplace. The Policy covers:

- The number and type of investment choices offered;
- The selection of investment managers or funds to satisfy the investment choices;
- The ongoing supervision of the Plan’s assets including roles and responsibilities of the various parties;
- Monitoring and reviewing of the performance and investment characteristics of the investment choices offered; and
- Decisions regarding addition to, replacement of, or elimination of the actual investment choices offered.

To fulfill their role as fiduciaries of the Plan, the Board is obligated to make decisions with the level of judgment and care then prevailing that persons of prudence, discretion and intelligence would exercise in the management of their own affairs.

The Board may deviate from this Policy as it deems appropriate, including on a case-by-case basis with respect to any investment manager appointed by the Board. However, no investment manager is permitted to deviate from these policies without prior written Board approval.

This Policy describes objectives, guidelines, and constraints for the investment of the Plan's assets and is to be used in developing an appropriate investment program for the Plan. This Policy will also be used as the basis for future investment performance measurement and evaluation. In general, this Policy is intended to provide sufficient flexibility to accommodate current and future economic and market conditions and changes in applicable accounting, regulatory, and statutory requirements. This Policy can be amended at the direction of the ORSP Board, and otherwise shall not be modified.

Program Objectives

The overall objective of the Plan is to increase the retirement savings of Oregonians by improving access and providing thoughtfully structured, well-managed investment funds for savers.

Investment Objectives

The primary investment objective of the Plan is to offer meaningful investment choice relevant to retirement assets, while providing a strong standard investment choice for participants taking advantage of automated features and a streamlined investment pathway.

It is intended that:

- Options encourage prudent diversification consistent with a participant's goals and objectives
- Each option is adequately diversified
- Each option has a risk profile consistent with its position in the overall structure
- Active investment options achieve risk-adjusted net returns that exceed the median results for a comparable peer group
- Passive investment options achieve minimal 'investment drag' associated with the various costs of portfolio construction and management such that net returns are better than median for a comparable peer group
- Costs for each option are not excessive when compared to alternative options of a similar style, available to equivalent programs
- Options may be used together to increase or decrease risk and the opportunity for return

Investment Options – Structure

At its outset the Program intends to offer three distinct investment choices, as follows:

- Age-based / Target Date Funds
- A Capital Preservation Fund
- A Diversified Equity / Growth Fund

Age-based / Target Date Funds – Standard Election

The age-based / target date funds are intended to provide participants with an asset allocation that changes dynamically over time and is intended to maximize growth in early years and maximize income replacement security in later years. Target date funds will be highly diversified and include a blend of asset classes as selected by the fund manager. Performance and volatility expectations will vary based on the asset allocation and risk profile of each fund in the target date series.

Capital Preservation Fund

The capital preservation investment option is intended to provide participants with preservation of capital with a moderate level of earnings. Risk, as measured by risk to principal and volatility of returns, is intended to be very low. Because of its emphasis on safety, the fund may not provide much protection against value erosion due to inflation, and depending on the investment type selected, may still retain the possibility of liquidity and credit risks under extreme circumstances.

Diversified Equity / Growth Fund

The diversified equity / growth investment option is intended to provide for long-term growth of capital through investment in common stocks with capitalization and valuation characteristics in line with broad market averages. Risk, as measured by volatility of returns, is expected to be moderate to high, and current income is not a primary objective.

The Plan may offer additional investment choices in the future, as deemed important to the optimal function of the Program and at the discretion of the Board.

Investment Guidelines and Restrictions

Selection of Investment Options

The investment options used to fund the various investment choices may be separately managed portfolios, commingled funds, exchange traded funds (“ETF’s”) or mutual funds. Care will be given to select the investment vehicle and structure that best matches the diversification, liquidity and cost requirements associated with each investment choice.

The specific investment products chosen by the Board must have appropriate investment characteristics and be managed by organizations that, by their record and experience, have demonstrated their investment expertise.

Such investment products also should:

- Be well diversified,

- Have acceptable volatility, when compared to an appropriate peer group and benchmark,
- Have the liquidity and/or marketability to meet the terms of the Plan,
- Have reasonable fees and expenses, and
- Agree to meet all other relevant requirements set forth in this Policy.

Review of Investment Objectives and Policy

It is the intention of the Board to review this Policy periodically and make necessary or appropriate amendments. The Board will review the Investment Policy at least annually in the Plan's first three years of operation.

The Board encourages investment providers/managers and Plan participants to make recommendations to the Board regarding appropriate changes to this Policy. However, no investment provider/manager may deviate from this Policy without prior written approval of the Board.

The Board has the ability to add, remove, or replace investment options and funds as appropriate.

Review of Investment Funds

The Board will review the investment funds at least once a year. The reviews will focus on the following issues:

- Adherence to guidelines
- Comparison of results to those of funds using similar policies (in terms of diversification, volatility, style, etc.)
- Material changes in the manager organizations, such as philosophy and personnel changes, acquisition or loss of major accounts, etc.
- Comparison to alternatives available in the marketplace

Standards of Performance

In consideration of the Plan's objectives, multiple standards will be used in evaluation of investment performance. These standards reflect the key aspects of investment performance, including the specific objectives for the mandate, the performance of market indices, and the performance of other fund managers. Where appropriate, portfolios will be compared to a universe of other portfolios deemed to be most appropriate, as well as to a benchmark index. The appropriateness of the comparison will be determined by matching key characteristics of each portfolio against the characteristics of the portfolios in the universe.

Watch List

The Board, at its discretion, may find it necessary to place a fund option on a Watch List if it is not meeting the stated investment performance objectives or if there has been a fundamental change in the organization or the investment philosophy of the fund. The fund shall remain on the Watch List until either performance improves and/or the fundamental change in the organization or the investment philosophy is resolved, or it is decided by the Board to remove the fund from the Plan. These decisions will be made within the constraints of any contract with the Program Manager.

Watch List status is not a required precursor to termination and is not a means to change the investment methodology of a manager.

Responsibilities and Requirements

In addition to the responsibilities previously described in this Policy, the following are general descriptions of the responsibilities of the parties that administer and maintain the investment options:

Board

- Act in the sole interest of participants and their beneficiaries, for the exclusive purpose of providing benefits to participants and their beneficiaries and of defraying the reasonable expenses of administering the Plan;
- Select and contract with the TPA;
- Select and contract with the Investment Consultant;
- Establish and maintain this Policy;
- Select the investment options; and
- Periodically evaluate the investment options' performance, the costs to the Plan and its participants, and recommend investment option changes.

Executive Director

- Manage day-to-day operations and administrative functions for the Plan;
- Assist and communicate with the Board;
- Develop and implement the Plan's internal policies and procedures;
- Develop and implement the Plan's marketing and public awareness program;
- Negotiate contracts with Plan vendors;
- Develop and manage the Plan's biennial budget; and
- Develop and pursue the Plan's legislative agenda.

Investment Consultant

- Assist the Board in drafting RFPs for investment options, evaluating proposals received, contracting with the selected investment providers/managers;
- Monitor and review the performance of each investment option;
- Provide periodic reports to the Board on various aspects of the Plan's investment options and the performance of the Plan's investment providers/managers;
- Meet with the Board on a regular basis to review each investment option's performance;
- Make recommendations regarding investment option objectives, guidelines, and the Policy;
- Assist the Board in ensuring that the Plan complies with this Policy; and
- Report to the Board on current investment trends and issues.

Investment Providers/Managers

- Responsible for making investment decisions consistent with the approach stated in their relevant prospectuses or other applicable governing documents, investment manager agreements, and contracts with the Board;
- Provide reports on investment option performance on a regular basis to the Board;
- On at least an annual basis, each investment provider/manager is expected to meet with the Board and/or its representative(s) to provide:
 - A verbal and written review of their investment option's performance and portfolio structure;
 - A summary of their key investment decisions, their underlying rationale, and expected future implications;
 - An organizational update; and
 - A description of the market, economy, etc.; and
- Immediately notify the Board (or its designees) and the Investment Consultant in writing of changes in fund operation and personnel that may negatively impact performance (this includes any organizational or strategy changes that impact asset management).

Third Party Administrator (TPA)

- Provide information and communication materials about the Plan and investment options to participants;
- Maintain individual participant account records;
- Assist participants in enrolling, making contributions, and receiving distributions;
- Market the Plan and investment options;
- Provide periodic reports on the Plan, participants, and investment options to the Board; and
- Assist the Board in the day-to-day administration of the Plan.

Target Date Investment

| Category | Standard Election |
|----------------------------|---|
| Investment Option | Target Date Fund |
| Objectives | The objective of this investment category is to invest in equity, fixed income and/or money market instruments using asset allocations targeting investment time horizons based on the participants expected retirement date. Investment returns are expected to be derived from current income and/or capital appreciation, based on the target allocation of the particular fund. |
| Primary Investments | Diversified Asset Classes |
| Expected Risk | Moderate |
| Investment Vehicle | Mutual Fund |
| Benchmark | S&P Target Date Index Series |
| Peer Group | Morningstar Category U.S. Fund Target Date Series |

Diversified Equity / Growth

| Category | Growth |
|----------------------------|---|
| Investment Option | U.S. Large Cap Equity Index Fund |
| Objectives | The objective is to passively invest in the common stock of large capitalization U.S. companies. The investment strategy intends to fully replicate the market capitalization weighting of the S&P 500 stock index. Investment returns are expected to be derived primarily from capital appreciation and, to a lesser degree, dividend income. |
| Primary Investments | U.S. Large Cap Equity |
| Expected Risk | High |
| Investment Vehicle | Mutual Funds |
| Benchmark | S&P 500 |
| Peer Group | Passive U.S. Large Cap Equity Universe |

Capital Preservation

Option 1

| Category | Capital Preservation |
|----------------------------|--|
| Investment Option | Treasury Retirement Savings Bond |
| Objectives | The objective is to achieve stability of principal through investment in non-marketable U.S. Treasury Obligations. Interest is set to match the weighted average interest rate offered on all outstanding U.S. Treasury Note and Bond obligations. |
| Primary Investments | Non-marketable U.S. Treasury Obligations |
| Expected Risk | Low Risk |
| Investment Vehicle | Direct obligations of U.S. Treasury |
| Benchmark | Bloomberg Barclays U.S. Treasury Index |
| Peer Group | US Government Bond |

Capital Preservation

Option 2

| Category | Capital Preservation |
|----------------------------|--|
| Investment Option | Government Obligation Money Market |
| Objectives | The objective is to seek current income consistent with maintaining liquidity and preserving capital through investment in short-term interest bearing investments such as T-Bills, U.S. Government Agency Securities, commercial paper, bank obligations and short-term debt obligations issued by domestic or foreign companies. |
| Primary Investments | Short term U.S. Government Obligations |
| Expected Risk | Low Risk |
| Investment Vehicle | Mutual Fund |
| Benchmark | 3 Month T-bills |
| Peer Group | Short Term US Government |

Financial Advisors – Guidance

**Joel Metlen
Manager, Public Engagement**



Communications Update

Summary

Marketing

- Public website and employer toolkit in development by Ascensus.
- Would like to start paid keyword search and social media campaigns soon.

Outreach

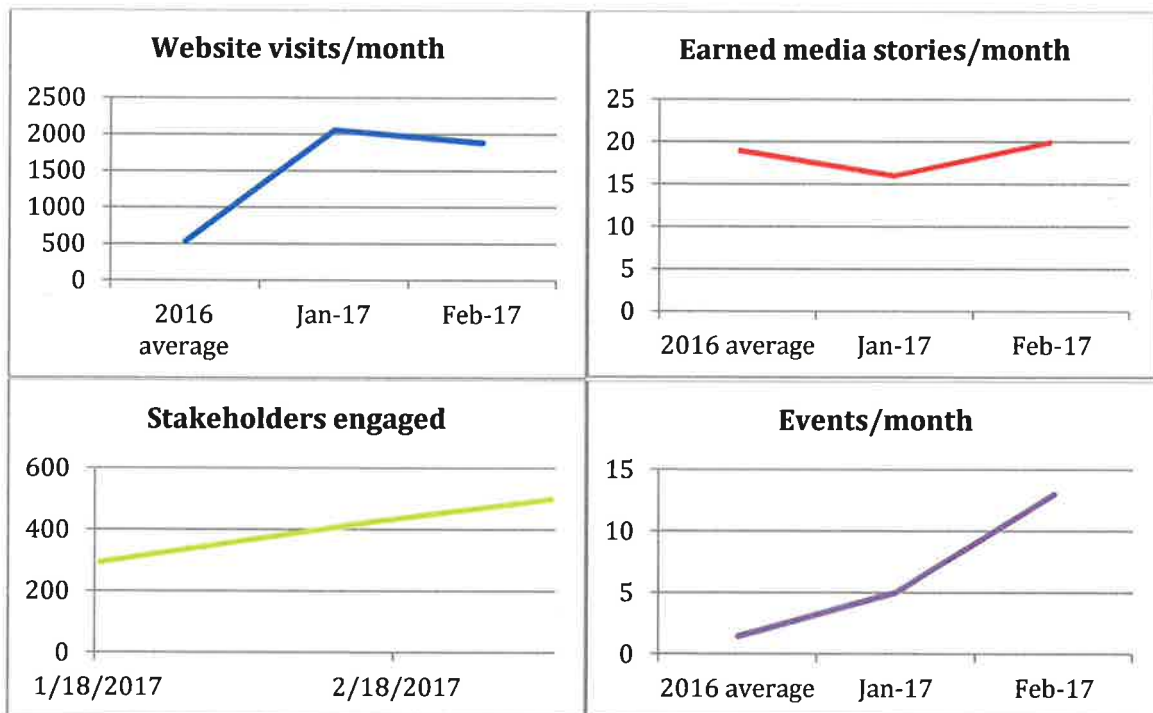
- Over 30 pilot employers identified and pilot 1 participants selected.
- Numerous presentations and meetings have been held or are planned.

Financial literacy

- Working on ways to link plan participants with financial literacy resources.
- Next steps for statewide financial literacy efforts TBD.

Goals and metrics

- Web visits, earned media, and stakeholder engagement numbers are up.





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Marketing

| Description | Status | Date(s) |
|--------------------|---|----------------|
| Public website | Ascensus developing public website with OST review/approval | By 5/15/17 |
| Marketing plans | Ascensus developing complementary marketing plan with OST review/approval. State Street available to provide investment-related content/materials | TBD |
| Employer toolkit | Ascensus developing employer toolkit with OST review/approval | By 5/15/17 |
| Advertising | The marketing plan calls for beginning paid keyword search in March | Late March |
| Social media | The marketing plan calls for beginning a social media awareness campaign in March. OregonSaves is already on Twitter. Creating a Facebook page would be a next step | Late March |
| Materials | Current materials: <ul style="list-style-type: none"> • PowerPoint • One-page overview • Employer one pager In development: <ul style="list-style-type: none"> • Rack cards • Booth materials (table cloth/banners) • Partner meeting materials | Mid-late March |
| Marketing contract | Current contract ends 10/31/17 and can be extended to 12/31/17. OST to begin discussing development of a new RFP | TBD |

Outreach

| Description | Status | Date(s) |
|--------------------------------|---|-------------------------------------|
| Pilot recruitment | <ul style="list-style-type: none"> • 31 employers have voiced interest, ranging in size from 1 employee to over 500 and from non-profits to construction and retail • 25 have completed a survey to collect info/confirm interest • 24 introductory conversations held | As of 3/8/17 |
| Public relations opportunities | <ul style="list-style-type: none"> • America Saves week • Investment decisions press release • National Retirement Planning week | 2/27/17 3/1/17 4/3/17 |
| Presentations and meetings | <ul style="list-style-type: none"> • Payroll services providers meeting 2/21/17 • Stayton Sublimity Greeters 2/22/17 • One Day University 2/25/17 | 2/21/17 – 4/18/17 (since last |



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| | | |
|----------------------|---|---|
| | <ul style="list-style-type: none"> • AARP Week in Lane County 3/2/17 • Beaverton Chamber of Commerce 3/2/17 • Governor's Occupational Safety and Health Conference 3/7/17 – 3/8/17 • Investment Management Product Strategy Forum 3/8/17 – 3/9/17 • Central Oregon Region Asset Building Summit 3/20/17 • Mexican Consulate's Financial Education Week 3/22/17 • Governor's Marketplace Conference 3/23/17 • OregonSaves partner summit 3/24/17 • Aspen Retirement Forum 4/1/17 • PEW roundtable session 4/3/17 • National Retirement Planning Week 4/3/17 • OED Workforce Analyst Meeting 4/5/17 • Oregon Nonprofit Leadership Conference 4/10/17 • Keizer Chamber of Commerce 4/11/17 | Board meeting and before next one) |
| Agency collaboration | <ul style="list-style-type: none"> • All 1st quarter 2017 meetings completed • Tasks completed: <ul style="list-style-type: none"> ○ BOLI annual employment law conference presentation ○ Pilot recruitment notice sent to CCB and OSHA newsletters ○ Payroll service providers engagement through DOR tax news listserv ○ Connected with Workers' Compensation Ombudsman ○ Connected with SOS Office of Small Business Assistance ○ March 2017 GOSH conference participation ○ OregonSaves info included in combined payroll booklet, Oregon Tax Coupon/New and Noteworthy document, Unemployment Insurance annual notices, SOS business renewal notices, SOS Employer's Guide • Work underway <ul style="list-style-type: none"> ○ Access to Employment and SOS employer data for prepopulating employer registry and performing direct outreach ○ Developing OregonSaves rack cards for agency staff, offices, and events ○ Adding links to Oregon.gov/retire on BOLI website and Business Xpress portal | DOR/OED 1/30/17 BOLI 2/9/17 DCBS 2/13/17 SOS 2/27/17 |



Financial Literacy

- OST in discussions with partner organizations about possible ways to refer plan participants to financial literacy resources, including materials and services
- Ascensus developing basic content for public website on retirement savings and IRAs
- Next steps on statewide level TBD

Goals and Metrics

Drive enrollment and retention in the program

- Status: Not yet measuring
- Future measures: enrollment numbers

Create statewide awareness

- Status: measuring
- Future measures: advertising impressions, click-thru rates, social media reach, materials distribution
- Current measures:
 - Website analytics:

| Month | Homepage views |
|----------------------|----------------|
| 2016 monthly average | 523 |
| January 2017 | 2,056 |
| February 2017 | 1,882 |

- Earned media stories:

| Month | Stories |
|----------------------|---------|
| 2016 monthly average | 19 |
| January 2017 | 16 |
| February 2017 | 20 |

- February stories have been mixed in terms of sentiment:

| Date | Title | Publication |
|-----------|---|------------------|
| 2/3/2017 | ARA Comments on Proposed Rules for Oregon Retirement Savings Plan | Publicnow |
| 2/6/2017 | America's coming retirement crisis | Marketplace.org |
| 2/8/2017 | House Republicans take aim at state retirement plans | True Viral News |
| 2/8/2017 | House Republicans take aim at state retirement plans | OregonLive.com |
| 2/10/2017 | Oregon Treasury Proposal Puts 401(k) Plans at Risk | Publicnow |
| 2/10/2017 | Oregon Treasury Proposal Puts 401(k) Plans at Risk | Napa Net |
| 2/11/2017 | Congress shouldn't set back Oregon's retirement savings efforts (Opinion) | OregonLive.com |
| 2/13/2017 | Treasury preparing to launch Oregon retirement | Portland Tribune |



| | | |
|-----------|---|---|
| | savings plan | |
| 2/14/2017 | AARP: OregonSaves | KATU |
| 2/15/2017 | Oregon among states pursuing plans to help workers save for retirement | AP (Hosted) |
| 2/15/2017 | Sen. Merkley, Rep. Bonamici Stand Up for Oregon Retirement Savings Plan | Targeted News Service |
| 2/16/2017 | House Votes to Halt Rules on Government-Run IRAs for Small Businesses | Society For Human Resource Management |
| 2/16/2017 | Let states facilitate savings | The Register-Guard |
| 2/16/2017 | Sen. Merkley, Rep. Bonamici Stand Up for Oregon Retirement Savings Plan | InsuranceNewsNet |
| 2/17/2017 | Merkley, Bonamici back Oregon Retirement Savings Plan | Thechronicleonline.com |
| 2/21/2017 | Congress Targets California's Groundbreaking Retirement Program | The Huffington Post |
| 2/22/2017 | LOSS OF ERISA EXEMPTION COULD BE TROUBLE FOR STATE MANDATED IRAS | Pension and Benefits Blog - Bloomberg BNA |
| 2/23/2017 | Reps. Huffman and Bonamici Fight GOP's Attack on Americans' Right to Retire | Publicnow |
| 2/24/2017 | A Lifeline? Retirement Planning for Small Business Owners and Their Employees | Town Squared |
| 2/24/2017 | Congress threatens California's groundbreaking retirement program | Salon.com |

Create and maintain positive perception of the plan

- Status: measuring
- Future measures: net promoter score
- Current measures:
 - Earned media/social media sentiment
 - January 2017: Mostly neutral, with some negative
 - February 2017: Mostly neutral, with some supportive and some negative

Provide clarity about how the program works for employees and employers

- Status: not yet measuring
- Future measures: ease of use, volume of calls/emails, program satisfaction rating

Ensure eligible employees are aware of other financial literacy resources

- Status: not yet measuring
- Future measures: percentage participants aware of additional resources

Actively engage stakeholders

- Status: measuring



- Current measures:

- Number of stakeholders engaged:

- Cumulative number of pilot candidates:

| Date | Employers |
|---------------|-----------|
| December 2016 | 14 |
| January 2017 | 15 |
| February 2017 | 30 |

- Number of stakeholders engaged:

| Stakeholders Identified | 1/18/17 | 2/16/17 | 3/6/17 |
|-------------------------|---------|---------|--------|
| Private/Non-Profit | 294 | 359 | 384 |
| Government | 22 | 43 | 46 |
| Employers | 67 | 102 | 133 |
| Employees | 35 | 44 | 45 |
| TOTAL | 418 | 548 | 608 |

| Stakeholders Engaged | 1/18/17 | 2/16/17 | 3/6/17 |
|----------------------|---------|---------|--------|
| Private/Non-Profit | 169 | 238 | 275 |
| Government | 22 | 43 | 46 |
| Employers | 67 | 102 | 133 |
| Employees | 35 | 44 | 45 |
| TOTAL | 293 | 427 | 499 |

- Number and reach of events:

| Month | Events | Audience | Reach |
|-------------------|--------|---|--------|
| 2016 total events | 17 | Public, employers, employees, non-profits, government, industry, financial services | 6-500 |
| January 2017 | 5 | Public, employers, employees, non-profits, government, industry, financial services | 10-120 |
| February 2017 | 13 | Public, employers, employees, non-profits, government, industry, financial services | 10-400 |

Rulemaking Update

(Verbal Update)

Kim Olson, Senior Policy Advisor

Legislative and Legal Update

(Verbal Update)

**Chelsea Brossard, Policy Director
Jen Peet, Director of Legal Affairs**

Implementation, Planning and Progress

Alex Nelson, Project Manager

Joel Metlen, Manager, Public Engagement



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Oregon Retirement Savings Plan Board Update
March 14 , 2017



OREGON STATE TREASURY

Platform Build Updates

- Finalization of Pilot 1 Employers completed by 3/10
- Employer Registry and Employee Setup will be locked down on 3/24 for testing ahead of 5/15 website launch
- Scenario-driven demos continue with Treasury to share ongoing platform progress
- Upcoming Milestones:
 - March 24: Payroll Match processing, Trade processing
 - May 5: Transmit Confirm files, ACH Payment processing
 - June 23: Disbursement files, Document storage interface

Marketing / Hiring Updates

- Marketing deliverables
 - Public website design approved by 3/10
 - Public website content in development; target approval date 4/14
 - Employer handbook in development; target approval date 5/1
- Hiring
 - Hiring of external candidates has been paused pending CRA resolution
 - Internal hiring of 5 service reps on track; training to start 4/17
 - Ascensus will continue to leverage existing resources to stay on schedule and hit launch dates

Contract Status

(Verbal Update)

Lisa Massena, Executive Director