

**Public Employees' Retirement Board  
EMPLOYEE INVESTMENT ADVISORY COUNCIL**

100 North Park Avenue, Room 201

Helena MT 59601

Thursday, April 26, 2018

1:00 PM

**ATTENDANCE**

***Council Members***

Patricia Davis, Chair

Tom Schneider, Member

Tammy Potter, Member

Tim House, Member

Amy Berry, Member-Absent

Barb Wagner, Member

Steve Hagen, Member

Jim Penner, Member

Diane Fladmo, Member

Jeff Bollman, Member

James Helgeson, Member

Malissa Williams, Member

***MPERA Staff***

Melanie Symons, Chief Legal Counsel-MPERA

Ali Rice, Pension Financial Analyst-MPERA

Joey Blodnick, Financial Operations Supervisor-MPERA

Holly Koehler, Fiscal Services Bureau Chief-MPERA

Beth Long-MPERA

***Public***

Paul Spengler

***Presenters***

Donald Eibson, Conduent HR Services Investment Counseling

Brett Gorman, PIMCO

**II. Roll Call (0:16-0:46)**

**III. Public/Member Comment 0:054-1:10:43)**

- Ms. Davis introduced Tammy Potter to the committee, she is currently employed with Lewis and Clark County and replaces Paul Spengler who recently retired.

## ACTIONS ITEMS

### IV. Approval of EIAC meeting minutes-January 25, 2018 (1:16:00-1:45:59)

- Steve Hagen moved to approve the meeting minutes for January 25, 2018  
Diane Fladmo seconded the motion, which passed unanimously.

### V. Fund Performance Review-Don Eibson Conduent HR Services Investment Counseling (1:47:10-1:02:08)

#### a. Market Review (1:47:10-26:50)

Mr. Eibson reviewed current standings and highlights of the Market emphasizing on the 3 month to 3 year cluster, going over the Large, Medium, Small cap funds and the International funds. Bonds have been negative lately due to higher interest rates.

Mr. Eibson discussed the US Economy as showing positive growth. Unemployment rate has dropped, but this could be due to the current labor force. Barb Wagner mentioned that with the currently labor force about 63% of Americans are retiring later, or going back to work part-time, they are living longer and still have expenses such as medical that needs to be addressed in retirement. Fixed Income Bonds were down for the first quarter again due to higher interest rates, which effect the bond market. Equities were also lower, except Mid Cap growth and Small Cap growth which seemed to be performing well. Emerging Market Equities did well in the first quarter. No Action Taken

#### b. 457(b) Deferred Compensation Plan (26:50-57:06)

Mr. Eibsen discussed the range of the funds in the 457(b), the asset allocation will be discussed later in the meeting when PIMCO presents. The Board approved adding the Vanguard total Bond Index fund to both the 457(b) and 401(a) plans. There are two funds on probation Franklin Mutual Global discovery Z and Artisan International. Mr. Eibsen went over the Benchmark used for the Stable Value fund, Conduent uses the Barclay Benchmark. He also discussed the Peer Group ratings and the Style boxes for the funds available. The Morning Star rating is no longer in our Investment Policy Statement. No Action Taken

#### c. 401(a) Defined Contribution Plan (57:15-1:06:50)

Mr. Eibson discussed the performance of the funds in the 401(a). In the area of Asset allocation Large Cap and Mid Cap have done well. He went over the Style Box characteristics, Sector allocation and general fund information. Generally the performance is good across the line up, with no recommendations for change. No Action Taken.

### VI. Target Date Fund Review (1:06:04-1:28:08)

Ms. Davis presented handouts regarding the Collective Trust Participation agreement and the sample fund sheets for the committee. Mr. Eibsen stated that these are a cleaner option for the participants and does not hurt them. Empower is willing to cooperate with the change regarding the Collective trust, which would be 8 basis points in savings. Melanie Symons had a few questions and concerns on the procurement issues. Barb Wagner has issues with the data sharing, and would like to look into all aspects of the Collective Trust, and also to continue to review the Trust document. Barb Wagner moved to continue looking at the terms and Diana Fladmo seconded the motion, which passed unanimously

**VII. PIMCO-Stable Value Fund Discussion – Brett Gorman-PIMCO- (Phone) (1:28:09-2:24:34)**

- Mr. Gorman gave a brief history the background and Transamerica and the change to the Investment Policy Statement. He supplied the committee with handouts, stating that pre 2008 it was a simpler time, now it's more complex. We went from one Wrap provider to three wrap providers, Transamerica, Prudential, and Voya, the purpose of the discussion is to get away from Transamerica's IMA restrictions, since those are the current guidelines. Ms. Davis explained the reason for three wraps was during that time, no one company would accept, so three were chosen. We have hired PIMCO, so we're looking at their IMA guidelines, and how it works with the Cash vehicle, Wraps, Bonds and the Wraps. Jim Penner inquired if the Wrap issuers were agreeable with this new structure, Mr. Gorman said they complied and agreed to the new guidelines that were proposed. Mr. Gorman also went over the Red Line document provided. They had supplied "Key Changes" listed on page 1 (one) to help with what the document changes are. Mr. Eibsen mentioned that the Wrap fees have no impact on the agreement. Tim House moved to send the Agreement to the Board meeting to look at during their next meeting in June. Jim Helgeson second the motion which passed unanimously.

**VIII. Fee Review-Patty Davis & Ali Rice (2:24:50-3:07:51)**

- Ms. Davis did a brief introduction regarding the fee review, this is done periodically as needed to review both the 401(a) and 457(b) plans, with aspects to their current growth, participation and expenses. Ali Rice presented slides for both plans, the 457(b) plans investments increase projection is 1%, while the 401(a) plans investments projection increase is 5%. The participation projection of growth for both plans is at 3%. Expenses for staff and consulting fees may go down in the future as we are close to completing the MPERAtiv transition. There are no recommendations at this time from fiscal regarding making changes to the fee structure.

**IX. Work in Progress- Auto-Enroll-Patty Davis (3:08:23-3:12:00)**

- Ms. Davis had a draft copy of the White paper regarding the Auto Enrollment she and Melanie Symons have been working on, she encouraged the committee to take it with them to be able to come back to the July meetings with Pros, Cons and Active Choice options. Melanie can supply other materials from other sources that have implemented Auto Enroll, both pros and cons, if anyone was interested.

**Meeting Adjourned at 4:15 PM.**

**Next Meeting is scheduled for July 26, 2018**