

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

100 North Park Avenue, Room 201

Helena MT 59601

July 23, 2020

1:00 PM VIA REMOTE ZOOM MEETING

ATTENDANCE

Council Members

Patricia Davis, Chair

Tammy Potter, Absent

Tim House, Member

Amy Berry, Member

Barb Wagner, Member

Steve Hagen, Absent

Jim Penner, Member

Diane Fladmo, Member

Jeff Bollman, Member

James Helgeson, Absent

Malissa Williams, Absent

Kim Stout, Member

MPERA Staff

Joel Thompson - MPERA Education

Jen Bergner- MPERA Education

Doug Hays- MPERA Education Supervisor

Ann Reber- MPERA, Publications

Bill Holahan Chief Legal Counsel-MPERA

Sheri Mitchell – MPERA Analyst Supervisor, Member Services

Beth Long - MPERA Benefit Analyst/EIAC Assistant

Public

Mary Ann Daubenspeck-Empower Retirement

Chris Heisel-Empower Retirement

Liz Davidsen - Empower Retirement

Presenters

Mikaylee O'Connor, Sr. Consultant, Principle, RVK, Inc.

Sarah Boctor, CFA, Associate Consultant, RVK, Inc.

II. Roll Call (1:00-1:10)

III. Public/Member Comment/Introductions (1:00-1:11)

Ms. Davis reminded everyone on the format using ZOOM, she let the audience know that they can raise their hand through ZOOM, please don't use the chat feature for financial discussions, those questions or comments should all be done through the audio feature.

ACTIONS ITEMS

IV. **Approval of EIAC meeting minutes-January 23, 2020 (1:12)**

- Diane Fladmo requested an edit to the minutes.
- Tim House moved to approve the meeting minutes for April 23, 2020 as amended.
- Barb Wagner seconded the motion, which passed unanimously.

V. **Small Cap Fund Search Update - Mikaylee O'Connor, Sr. Consultant, Principle, RVK, Inc (1:14)**

The PGM QMA Small Cap Value Fund that is offered within the MPERA 401(a) Plan has been on watch since July 2019. During the April 2020 EIAC meeting the committee request that RVK conduct a small cap replacement search. RVK has a team of managers that collaborated and evaluate managers from several funds that are available to choose from for the replacement. Ms. O'Connor explained the process in detail regarding the philosophy they use while doing the search, she also provided detail information on all the funds that they reviewed. There was detailed discussion on timing the change to let participants know of the upcoming change and fee structure. **Diane Fladmo moved to replace PGM QMA Small Cap Fund with Black Rock Advantage Small Cap Core Fund, Tim House second the motion. The motion passed unanimously.**

VI. **Market Review / Plan Review 401(a) and 457(b) – Mikaylee O'Connor, Sr. Consultant, Principle, RVK, Inc (2:04)**

US equity markets started out strong, then backed off due to the COVID cases that began to spike, and threatened business closures in many states. Despite the increase though most US and developed international returned low single digits for the month of June, but emerging markets outperformed. The Federal Reserve indicated that they would keep interest rates low, in hopes to spur growth. Ms. O'Connor detailed out the performance of the MPERA 401(a) and 457(b) Plans current investments with the RVK research rating, showing the 3 and 5 year returns and their rankings and comparative performance. No Action taken

VII. **DC Fee Structure Review- Mikaylee O'Connor, Sr. Consultant, Principle, RVK, Inc (2:31)**

The EIAC committee had asked RVK, Inc. to provide information on various fee models. Ms. O'Connor provided an educational presentation showing the different fee models that are in use with other plans throughout the country. She explained the differences between Asset Based Fee models such as Revenue Sharing and Fixed Basis Point structures. There are also Per Participant Fee models and Hybrid Fee models. Ms. O'Connor showed the committee the current trends for each of these Models and presented on both the 401(a) and 457(b) plans current fee structure. Diane Fladmo asked if RVK, Inc could provide information on Public vs Private fee comparison in the future, Ms. Davis suggested that also do an analysis of participant concerns with their current fees and will work with Empower Retirement and the MPERA Educational staff to provide a survey for participants to voice any concerns that could help with next year's Fee Analysis. No Action taken

VIII. **Retirement Readiness-Mikaylee O'Connor Sr. Consultant, Principle, RVK, Inc & Sarah Boctor, CFA, Associate Consultant, RVK, Inc (3:22)**

The presentation provided the committee an overview of RVK's evaluation of the demographics between Pension Plans and MPERA's 457(b) Plan by looking at the differences in salaries, retirement age and years of service. Ms. Boctor discussed income replacement needed for a typical member in the Plans, showing median salaries, balances, and contributions. The presentation explained the importance of income replacement in retirement to maintain a retiree's standard of living. Ms. Boctor stressed that all members must understand their options for retirement, saving for the future, delaying the date of retirement, or delaying social security, and the types of income sources available to them. No Action taken.

IX. Empower Retirement 2nd Quarter Field Report-Informational Handout

X. MPERA Educational Staff 2nd Quarter Field Report-Informational Handout

XI. EIAC Reappointments/Resignations

Ms. Davis notified the committee members that Steve Hagen with the City of Helena Police Department has put in his resignation, and Jim Helgeson with Great Falls Transit is retiring and will also resign. The committee will be searching for their replacements.

XII. RFP Update

Ms. Davis informed the committee that a draft has been started for the RFP since Empower Retirement's contract will expire in June 2021. Jeff Bolman has volunteered to represent the EIAC committee on the RFP review.

Next Meeting Agenda items Patricia Davis

Retirement Income discussion

Additional information of Fee Structures

RFP Update

Meeting Adjourned at 4:34.

Next Meeting is scheduled for October 22, 2020