

EMPLOYEE INVESTMENT ADVISORY COUNCIL MEETING

April 21, 2011

Ms. Patricia Davis called the meeting to order at 1:30 pm Thursday, April 21, 2011.

Council members present were:

Patricia Davis, Chair; Tom Schneider; Rande Muffick; Paula Stoll; Edward Dawes (via telephone); Paul Spengler; Pam Fleisner; Kevin McRae; Diane Fladmo; and James Helgeson

Council Members Excused:

Jim Penner; Barb Wagner and Ron Alles

Members of the Public:

Thomas Toth, Wilshire Associates
Roxanne Minnehan, MPERA Executive Director
Melanie Symons, MPERA Chief Legal Counsel
Jenny Weigand, MPERA Education Supervisor Specialist

Public Comment on any subject of interest not on the EIAC agenda. No comments were given.

MINUTES OF EIAC MEETING

The minutes of the EIAC meeting of February 17, 2011 were presented. Ms. Davis noted a correction on page 3 and page 5.

Motion: Mr. Tom Schneider moved to approve the minutes for the February 17, 2011 EIAC meeting, with corrections.

Second: Ms. Paula Stoll

No public comment.

Vote: 7/0

Summary Survey Results

Ms. Davis discussed the Summary Survey Results. MPERA staff sent out 3000 surveys, receiving over a 50% response. Most respondents requested more information and additional education classes.

The Council members discussed auto enrollment in the 457(b) plan. The members decided this is not something they would not want to pursue.

Economic Discussion – Thomas Toth, Wilshire Associates

Mr. Toth discussed the economic indicators with the council members. Economic growth accelerated during the fourth quarter of 2010 with real GDP up 3.1%. Interest rates stabilized during the first quarter, closing at 3.47%. Jobs remained strained, despite the employment gains in February and March, and housing prices continue to deteriorate through the end of 2010 and into 2011.

Fund Performance Review

457(b)

The U.S. Equity (Wilshire 5000) posted a 6.18% advance in the first quarter returns. The U.S. stock market got off to a strong start to the year, rallying to close the quarter at 111.38% since low closing in March 2009.

The Dodge and Cox Balanced Fund is currently on probation. Mr. Toth recommended at the last EIAC meeting to leave this fund on probation. Despite another quarter where this balanced fund outperformed the benchmark is still below the State's requirements. A comparison of other balanced funds was requested at the February EIAC meeting. It is currently rated two stars for the three year and one star for the five year. Mr. Toth did not recommend firing this fund; however, Mr. Schneider noted that it is still underperforming according to the Investment Policy.

Motion: Mr. Paul Spengler moved to search for a possible replacement for the Dodge and Cox Balance Fund.

Second: Mr. Jim Penner

No public comment.

Vote: 8/0

Davis NY Venture continues to perform poorly. It currently has two star ratings for three and five years and does not meet the State's requirements. Mr. Toth recommended placing this fund on probation.

Motion: Mr. Tom Schneider moved to put the Davis NY Venture Fund on probation.

Second: Mr. Paul Spengler

No public comment.

Vote: 8/0, Mr. Muffick abstained.

401(a)

The underlying funds are similar to the 457 plan. The Vanguard Index Fund is performing well. It has four stars for three and five years. Oakmark International Fund is also performing well, with a five star rating for three and five years.

Replacement Funds

Mid Cap Growth Manager Search

At the February EIAC meeting, Mr. Toth presented a replacement for the Munder Mid-Cap Core Growth fund. The Council moved to replace it with T. Rowe Price Mid-Cap Growth fund. Since the meeting, T. Rowe Price had closed.

Mr. Toth addressed Eagle Mid Cap Growth, which was the second choice. Eagle had the highest 3-year Sharpe ratio, compared to the other funds. Eagle outperformed the benchmark for the 3-, 5- and 10-year time periods. A concern with Eagle is a subsidiary of another brokerage firm. This could lead to retention issues and the parent company could not pay their subsidiary properly or sell the smaller firm to another. Mr. Toth does not see this as an issue with Eagle.

Wilshire recommended the Eagle Mid Cap Growth fund for its high qualitative scores, consistently good performance and strong Sharpe ratios and low fees. The Council is not satisfied with the recommendation or the other funds profiled.

Motion: Mr. Paul Spengler moved to retain the Munder Mid-Cap Core Growth fund in the Mid-Cap Growth Category, with Munder remaining on probation and Wilshire return in six-months with possible replacements.

Second: Mr. Rande Muffick

No public comment.

Vote: 6/1, Ms. Fladmo voted nay.

Investment Policy Statements

457(b) & 401(a)

The Board did not want to approve the Target Date Funds until the Investment Policy Statements were up-dated. Section IIIA 8, adds Target Date funds to the 401(a) Investment Policy Statement. Section IIIA 9, adds Target Date funds to the 457(b) Investment Policy Statement.

Motion: Mr. Tom Schneider moved to adopt the Investment Policy Statements for the 457(b) and 401(a) with recommended changes.

Second: Mr. Rande Muffick

No public comment.

Vote: 5/0, Ms. Fleisner abstained.

Roth 457

Ms. Davis briefly explained Roth 457, this will need some statutory changes before these funds can be approved and added to the portfolio.

ADJOURNMENT

There being no further business before the Council, Ms. Davis adjourned the meeting, at approximately 4:30 pm. Next meeting will be at Thursday, July 21, 2011 at 1:30 pm.