

EMPLOYEE INVESTMENT ADVISORY COUNCIL MEETING

July 21, 2011

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

Council members present were:

Patricia Davis, Chair; Tom Schneider; Rande Muffick; Edward Dawes; Paul Spengler; Pam Fleisner; Diane Fladmo; Jim Penner; Barb Wagner and James Helgeson

Council Members Excused:

Paula Stoll; Kevin McRae and Ron Alles

Members of the Public:

Michael Schlachter, Wilshire Associates
Roxanne Minnehan, MPERA Executive Director
Melanie Symons, MPERA Chief Legal Counsel
Jenny Weigand, MPERA Education Supervisor Specialist
Terry Smith, PERB Vice President (via telephone)

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 April 21, 2011 were presented.

Motion: Mr. Tom Schneider moved to approve the minutes for the April 21, 2011 EIAC meeting.

Second: Ms. Diane Fladmo

No public comment.

Vote: 9/0

EIAC Committee Members – Terms

Ms. Davis informed the Committee that some members' terms have expired and others are due for renewal. Ms. Pam Fleisner, Ms. Paula Stoll and Mr. Jim Penner termed as of 2010. Ms. Diane Fladmo, Ms. Barb Wagner, Mr. Ron Alles and Mr. Rande Muffick will term in 2011. Each agreed to a three-year extension. Ms. Fleisner, Ms. Stoll and Mr. Penner appointment will extend through 2013 and Ms. Fladmo, Ms. Wagner, Mr. Alles and Mr. Muffick appointment will extend through 2014. Ms. Davis will present these appointments to the Public Employee Retirement Board (PERB) at the August meeting.

Third Party Contracts

Great-West Retirement Services (GWRS), Wilshire and Aegon's contracts expire in 2012. Ms. Davis asked the PERB for direction. Staff has RFPs for Imaging, Data Cleansing and Line-of-Business. Ms. Davis recommended to the PERB to extend Wilshire and GWRS contract for one-year to allow staff and Committee members to concentrate on the stable value contract.

Economic Discussion – Michael Schlachter, Wilshire Associates

Mr. Schlachter discussed the economic indicators with the council members. He stated little has changed since their last meeting. The Baby Boomers are not retiring at age 65 as expected, job numbers are not growing, causing unemployment claims to increase.

Fund Performance Review

457(b)

The U.S. stock market experienced a volatile second quarter in 2011. The Wilshire 5000 Total Market Index began the quarter with a strong 2.90% total return in April; followed by a six week long drawdown of -7.18%. A quarter-end run-up in stocks of 6.15% since June 15 market low brought Wilshire 5000 to a quarterly loss of -0.08%.

The Dodge and Cox Balanced Fund is currently on probation. Mr. Schlachter did not bring replacements for this fund due to the talk of adding Target Date Funds.

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. Schlachter recommended keeping this fund on probation.

Motion: Mr. Paul Spengler moved to search for a replacement for the Davis NY Venture fund, bringing recommendations to the October EIAC meeting.

Second: Ms. Barb Wagner

No public comment.

Vote: 8/1, Mr. Muffick voted nay.

The Columbia Mid Cap has underperformed with only a two star rating for three years. Mr. Schlachter did not recommend probation at this time.

401(a)

The American Funds Growth Fund has a two star rating for three and five years. Mr. Schlachter recommended placing this fund on probation.

Motion: Ms. Barb Wagner moved to place the American Funds Growth Fund on probation.

Second: Mr. Tom Schneider

No public comment.

Vote: 9/0

The Munder Mid Cap Core growth fund is currently on probation and continues to underperform. It still has a two star rating at three year and a three star rating at five years. A search to replace this fund was performed earlier this year with no successful replacement found therefore; Mr. Schlachter did not recommend doing a search at this time.

Target Date Funds (TDF)

Ms. Davis informed the Committee the way the State law governing the 457(b) is written, MPERA are unable to accept a non-SEC registered investment option. JP Morgan TDF is a non-registered collective trust. This is not an issue for the 401(a) plan. Based on the restriction in law, Ms. Davis contacted Mr. Schlachter and asked him to prepare a new TDF recommendation. Mr. Schlachter presented several different options. Mr. Schlachter recommended the addition of T. Rowe Price TDF.

Motion: Mr. Paul Spengler moved to add T. Rowe Price Target Date Funds to the 401(a) and 457(b) plans.

Second: Mr. Rande Muffick

No public comment.

Vote: 9/0

Ms. Davis will recommend the PERB remove the asset allocation funds, after the TDF are in place. The Committee collectively agreed to keep the Balance Fund, reserving the right to search for a replacement at a later time.

After some discussion, the T. Rowe Price TDF is a "thru" fund and the Investment Policy is written for "to" funds. MPERA staff will need to address this before making a recommendation to the PERB.

ADJOURNMENT

There being no further business before the Council, Ms. Davis adjourned the meeting, at approximately 4 pm. Next meeting will be at Thursday, October 20, 2011 at 1:30 pm.