

**Public Employees' Retirement Board  
Employee Investment Advisory Council**

100 North Park Avenue, Room 201

Helena MT 59601

MINUTES

Thursday October 20, 2011

1:30 – 4:30

**Call to Order**

Ms. Patricia Davis called the meeting to order at 1:32pm

**Roll Call**

**Council Members in Attendance:**

Patricia Davis, Chair; Tom Schneider; Paul Spengler; Edward Dawes; Paula Stoll; James Helgeson; Barb Wagner; and Rande Muffick

**Council Members Excused:**

Jim Penner; Ron Alles; Pam Fleisner; Diane Fladmo; and Kevin McRae

**Members of the Public:**

Michael Schlachter, Wilshire Associates  
Jenny Weigand, MPERA Education Supervisor  
Kate Talley, MPERA Legal Counsel  
Roxanne Minnehan, MPERA Executive Director (arrived around 3 p.m.)  
Terrence Smith, PERB Vice President  
Melanie Symons, MPERA Chief Legal Counsel  
Linda Ulrich, Great West

Ms. Davis reported that Ron Alles is resigning his position due to other obligations. He reported that he did have some names of individuals that could replace him.

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

**Approval of EIAC Meeting Minutes – July 21, 2011**

The minutes of the EIAC Meeting of July 21, 2011 were presented.

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

**Second:** Mr. Paul Spangler  
No public comment

**Vote:** 6/0

## **Fund Performance Review - Michael Schlachter, CFA, Wilshire Associates**

### **Numbers in Context**

Mr. Schlachter discussed the economic indicators with the council members. He reported that nothing has radically changed in the last quarter.

### **457(b) Review**

The U.S. Stock market was battered during the third quarter as investors reacted to signs of economic slowdown and concerns over European debt issues. The Wilshire 5000 Total Market Index returned -15.04%, its worst performance since the fourth quarter of 2008, as it suffered losses in all three months of the quarter, marking a string of five consecutive monthly declines.

The Dodge & Cox fund greatly underperformed the benchmark for the quarter, and lags for the 3- and 5-year time periods. The 1- and 2- star Morningstar ratings and the Sharpe Ratios that are below or in line with the category mean do not meet the State's requirements.

**Motion:** Mr. Tom Schneider moved to search for a replacement for Dodge & Cox.

**Second:** Mr. Paul Spengler  
No public comment.

**Vote:** 7/0

The Columbia Mid Cap Value Z Fund underperformed the benchmark this quarter lags over the 3- and 5- year time periods. The fund's 2-star Morningstar ratings for the 3-year do not satisfy the State's minimum requirements but the five-year Morningstar ratings and Sharpe Ratios do. This fund will be closely monitored.

**Motion:** Ms. Barb Wagner moved to place Columbia Mid Cap on probation.

**Second:** Mr. Paul Spengler  
No public comment.

**Vote:** 7/0

### **401(a) Review**

Like all equity funds, American Funds Growth Fund of America had a weak quarter and lagged the S&P Index benchmark and also trailed for the 3-year but leads for the 5-year. The manager's Sharpe Ratio matches the category mean for the 3-year and is greater for the 5-year, but the 2- star Morningstar ratings do not meet the minimum requirement.

American Funds Growth Fund is currently on probation. Mr. Schlachter is recommending that a change needs to be made regarding American Funds Growth Fund.

**Motion:** Ms. Barb Wagner moved to do a search to replace American Funds Growth Fund.

**Second:** Mr. Rande Muffick

**Vote:** 7/0

### **Large Cap Value Fund Search – Potential replacement of Davis NY Venture**

Davis is behind the benchmark but they are ahead of their peers. There are seven alternatives to the Davis Fund. All candidates have struggled for time periods under 3-years; only two managers outperformed the benchmark in the 3-years, five in the 5- and 7-year time periods and three in the 10-year. Davis has underperformed in every reported time period.

Mr. Schlachter recommends that we move to the Vanguard equity fund or that we defer the search for four to six months.

**Motion:** Mr. Paul Spengler moved to move the Vanguard equity index fund into the 457(b) plan to replace the Davis NY Venture.

**Second:** Mr. Edward Dawes  
No Public Comment

**Vote:** 6/1, Mr. Muffick voted nay.

### **SAVA review of state committees**

SAVA will be reviewing all state committees. This will include their purpose and their effectiveness.

### **Round table discussion of EIAC meetings:**

**PERB Board Retreat – There** was discussion at the PERB Board Retreat for a possible joint meeting with EIAC and the Board.

### **What improvements would the committee like to see to EIAC meetings?**

Ms. Patricia Davis led the discussion to see if the committee is satisfied with the process of the committee. Mr. Spengler stated that he was satisfied with the committee as a whole. He likes the quarterly meeting structure.

Mr. Tom Schneider would like to see the meetings begin at 1:00 p.m. There is nothing the process that addresses returning a recommendation for reconsideration by the PERB. There have recommendations that EIAC has given to the Board. The Board overturned the recommendation, but there is not process in place to have EIAC reconsider the recommendation. He left meeting at 3:45 p.m.

Rande Muffick indicated the he would like more training from Great-West. Great-West is required to provide information on an annual basis.

Barb Wagner feels that committee should spend more time on solving general issues. She is

hesitant about reviewing probation only. Her suggestion would be to only do probation cases once a year.

Paula Stoll agreed with other ideas presented by the other members. She would like to learn more about the demographics.

Edward Dawes thought that more meetings could put more stress on his schedule.

James Helgeson inquired if there are things EIAC should be doing according to the Board. One of the items is to discuss automatic entry into the 457 deferred compensation plan.

There was discussion about starting the meeting at 1:00 p.m. instead of 1:30 p.m.

### **How can we get the most value out of the meetings and ensure we are meeting our obligations to plan members**

*Gap analysis*- Have Mr. Schlachter provide a gap analysis of the 457(b) and 401(a) at the January meeting to determine if there are there any places that we could be providing more investment options.

*Roth Portion of 457(b)* - this will take a statutory change.

*Brokerage window*

*Contract negotiations for Great-West and Wilshire*

### **ADJOURNMENT**

There being no further business before the Council, Ms. Davis adjourned the meeting at 4:20 pm. Next meeting will be at Thursday, January 19th, 2012 at 1:00 pm.