

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

100 North Park Avenue, Room 201

Helena MT 59601

MINUTES

Thursday July 18, 2013

1:00 pm – 4:00 pm

**Call to Order:**

Ms. Patricia Davis called the meeting to order at 1:00 p.m.

**EIAC/Board Roll Call**

**Council Members in Attendance:**

Patricia Davis, Tom Schneider, Barbara Wagner, Paul Spengler, Pam Fleisner, James Helgeson, Amy Barry, Ed Dawes, Rande Muffick, Jim Penner

**Council Members Excused:**

Steve Johnson

**MPERB Members in Attendance:**

Terry Smith- via telephone  
Diane Fladmo- via telephone  
Sheena Wilson

**Members of the Public:**

Linda Ulrich – Great West  
Perry Christie- Great West  
Michael Schlachter – Wilshire Associates  
Steve Ebert- Nationwide  
Margaret Volpe-Rodgers- Nationwide  
Melanie Symons- MPERA

**Public/Member Comment** on any subject of interest to the EIAC/Board not on the agenda

There was no public comment.

## **Approval of EIAC Meeting Minutes – April 18, 2013**

**Motion:** Paul Spangler made motion was made to approve the April 18, 2013 minutes with changes.

**Second:** Jim Helgeson  
No public comment

**Vote:** Passed (9/0)

## **IV. Fund Performance Review – Michael Schlachter, CFA, Wilshire Associates**

### **A. Numbers in Context**

Michael Schlachter provided information on the current state of the economy as reported in the numbers in context presentation as well as a brief review of Wilshire's report on State Pension Plans.

The Wilshire research contends that state pension plans need to balance increased contributions, increased rates of return and decreased pension payments to help solve the unfunded liability problems.

The serious problem with underfunding is that the asset mix isn't there. An increase in both contributions and return plus a decrease in payments must balance.

There is a moderate but steady improvement in the economy. It is expected to have full employment in the next 4-5 years.

### **A. 457(b)**

Wilshire recommends putting the Neuberger Berman Genesis Fund on probation, to be monitored for one year.

**Motion:** Paul Spengler made the motion to place the Neuberger Berman Genesis Fund on probation for one year.

**Second:** Diane Fladmo  
No public comment

**Vote:** Passed (9/0)

## **B. 401(a)**

Wilshire is not recommending any changes to the current 401(a) investment options. However, Mr. Schlachter would like to discuss the role of the Vanguard Total Bond Index Fund. The fund is lagging the benchmark over a 3 and 5-year period and is not a reflection of the overall Bond Market.

Mr. Schlachter agreed to provide the council with more education on the Bond fund at the October council meeting. Ms. Davis will research the history of the index fund and Mr. Schlachter will prepare more information. Both will present their findings at the next meeting.

Mr. Schneider questioned whether or not the fund could be dropped without being placed on probation and believes we would be open to challenges if we did.

## **V. EIAC Reappointments**

Jim Penner was reappointed for three years. His term will expire July 31, 2016.

Paul Spengler was reappointed for three years. His term will expire July 31, 2016.

Randy Morris will represent state employees, replacing Paula Stoll. His term will expire July 31, 2016.

The EIAC is searching for a new school district representative to replace Pam Fleisner.

## **VI. Great West Financial- Self-Directed Brokerage Accounts- *Linda Ulrich, Regional Director***

Self-Directed Brokerage (SDB) Accounts provide an option outside of core investment. The typical usage, at 1-2%, is the minority, but it does provide alternative choices.

There are two Providers to compare: TD Ameritrade and the Schwab Personal Choice Retirement Account (PCRA), both of which allow for an advisor that must be registered with their own Broker. One council member asked if Participants can switch from one Provider to the other. Ms. Ulrich clarified that the Plan Sponsor only chooses one Provider. What the Sponsor has to consider is what we will allow, who we choose as a Broker and what limitations there may be.

With SDB Accounts, the Participant pays quarterly to the SD Broker and the Plan Sponsor is not charged. The Participant must pay a minimum of \$2500 to stay in the plan and a minimum of \$1000 for each transfer, however, the Schwab PCRA does not charge a fee for "in-house" transfers.

Great West would educate the public on SDB Accounts. They have flyers to direct enrollment and a seminar on using the service. Both Providers have Sponsors that are interested.

A vote was taken on who wants to research the SDB Accounts and the majority of the EIAC Board was undecided. The final decision was to not pursue it at this time.

**Stable Value Update-** Patricia Davis

Patricia Davis gave an update on the Stable Value Fund. The TransAmerica contract was extended at the June 2013 Board Meeting to September 30, 2013. The EIAC is working with Great West, State Street and PIMCO to establish new accounting structures.

**VII. Roth 457 Implementation Update**

The Roth 457 was implemented July 1, 2013. Participants will use the Salary Deferral Form to participate in the Roth 457. The State is currently up and running.

**VIII. 457 Plan Document Update**

**A. 2013 RFP's- Recordkeeping & Investment Consultants- updates**

- Amy Barry, Montana University System volunteer Recordkeeping and Investment Advisor RFP.

Patricia Davis has drafted the RFP and will present it to the MPERA Board.

**4:00 p.m. PROJECTED ADJOURNMENT**

The motion was moved and seconded to adjourn the meeting. Patricia Davis adjourned at approximately 3:20pm.

Next meeting: October 17, 2013