

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

100 North Park Avenue, Room 201

Helena MT 59601

Thursday April 27, 2017

12:00 PM

**ATTENDANCE**

***Council Members***

Patricia Davis, Chair

Tom Schneider, Member

Paul Spengler, Member

Tim House, Member

Amy Berry, Member

Barb Wagner, Member-Absent

Steve Hagen, Member- Absent

Jim Penner, Member-Phone

Diane Fladmo, Member

Jeff Bollman, Member

James Helgeson, Member

Malissa Williams, Member

***MPERA Staff***

Melanie Symons, Chief Legal Counsel

Katherine Talley, Legal Counsel

Jennifer Weigand, Education Supervisor

Ali Rice, MPERA Accountant

Hollie Koehler, Fiscal Services Bureau Chief

Beth Long, Administrative Clerk

***Public***

Anne Cappel, Empower Retirement-Phone

Joe Cullen, MBOI

Bishop Bastien, VOYA

Sheena Wilson, President-MPERA Board of Trustees

***Presenters***

Donald Eibson, Conduent HR Services Investment Counseling

Anne Cappel, Empower Retirement

**II. Roll Call (0:20-1:19)**

**III. Public/Member Comment (1:20-1:59)**

- No Public Comment.

## ACTIONS

### IV. Approval of EIAC meeting minutes-January 26, 2017 (2:30-2:49:57)

- Tom Schneider moved to approve the meeting minutes for January 26, 2017. Paul Spengler seconded the motion, which passed unanimously.

### V. Fund Performance Review-Don Eibson, Conduent HR Services Investment Counseling (formerly Buck Associates) (3:20:00-59:25)

#### a. Market Review (3:20:00-14:11:00)

Mr. Eibson reviewed current standings and highlights of the Market in General. U.S stocks produced positive numbers in the first part of this year. Mr. Eibson discussed the US Economy, unemployment rate along with the current standings of Bonds, Equities and Fixed income. No Action Taken.

#### b. 457(b) Deferred Compensation Plan (14:21-52:23)

Mr. Barondeau discussed the performance of the funds in the 457(b). He went over the range of investments available with the plan, Fund Overview, current Asset Allocation and style characteristics as March 31, 2017. The plan assets increased by 13.9 million. Mr. Eibson will research alternative selections for the Neuberger Berman Genesis since its portfolio style has changed since choosing it originally. Paul Spengler moved to have the review be for a style shift not performance related, Tim House seconded the motion, which passed unanimously. The Stable Value fund in the performance report is benchmarked to the Barclay's Intermediate Government/Credit Index plus 0.35%. It is Conduents recommendation to reduce the 0.35%. Tim House motioned to reduce the 0.35% in both plans. Tom Schneider seconded the motion, which passed unanimously.

#### c. 401(a) Defined Contribution Plan (52:24-59:25)

Mr. Eibson discussed the performance of the funds in the 401(a). The Range of Options, Asset Allocation of the funds, Target Date Funds, and Peer Group ratings in the plan were discussed. The plan assets increased by 11.7 million. Morningstar ratings were also discussed for the funds in the plan. As discussed with the 457(b) plan the committee will go with the recommendation of Conduent to reduce the 0.35% in this plan also. Tim House motioned to accept Conduents recommendation. Tom Schneider second the motion, which passed unanimously.

#### d. Target Date Fund Review (1:08:04-1:57:08)

Mr. Eibson and Mr. Barondeau presented a comparison on both plans current T Rowe Price Target date funds with the Vanguard Target funds and American Funds. Net of Fee Returns, Calendar year returns, Peer Rankings and the Asset Allocation comparison were also explained. No Action Taken.

### VI. Policy Review (59:27-1:18:57) Don Eibson, Conduent HR Services Investment Counseling (formerly Buck Associates)

#### a. 457(b) Investment Policy Statement – Board Admin 12

- On page 4, under Target Date funds indent under section b. and reword to say "Note: A rolling 5 year period is to be used when available, when analyzing the above quantitative measures except where 5 years of data is unavailable."
- On page 2, Section III A. *Investment Spectrum Guidelines*, within the first sentence include the statement "Active and Passive" so it is not repetitive throughout the category listing.
- On all pages in the footer correct so that it reads 457(b) not 457b.

Paul Spengler motioned to accept the changes. Jim Helgeson second the motion, which passed unanimously.

b. 401(a) Investment Policy Statement - Board Admin 11

- On page 2, Section III A. *Investment Spectrum Guidelines*, within the first sentence include the statement “Active and Passive” so it is not repetitive throughout the category listing.
- On page 4, under Target Date funds indent under section b. and reword to say “Note: A rolling 5 year period is to be used when available, when analyzing the above quantitative measures except where 5 years of data is unavailable.”
- On all pages in the footer correct so that it reads DCRP 401(a), not just DCRP.

Tom Schneider motioned to accept the changes. Paul Spengler second the motion, which passed unanimously.

**VII. Investment Program Review (1:18:60-1:41:00) Don Eibson, Conduent HR Services Investment Counseling (formerly Buck Associates)**

- Mr. Eibson presented on the range of options and differences that are available in both the 457(b) and 401(a) plans. He pointed out that neither plan has a Bond Index Fund. Survey data was discussed regarding typical investment options, Target Date Funds and Target Risk funds. There was some discussion on White Label funds, similar to what would be found in a Thrift Savings Plan. Paul Spengler motions to see if at the next meeting Conduent could supply more information regarding Index Bonds, White Label Funds, also look into matching the funds in each plan for more consistency, Diane Fladmo send the motion, which passed unanimously.

**VIII. Target Date Fund Review (1:52:44-2:04:50) Don Eibson, Conduent HR Services Investment Counseling (formerly Buck Associates)**

- Target Date Fund Assets and Fee Comparison was shown regarding the Target Date Funds that are available in both plans. Mr. Eibson suggested that we have T.R. Price come in a present to the committee Institutional vs Trust with the Target Date Funds. Paul Spengler motioned to invite TR Price, Tom Schneider seconded the motion, which passed unanimously.

**IX. Stable Value Participation review and Discussion (2:05:26-2:58:45) Patricia Davis**

a. 457(b)

- Ms. Davis presented a spreadsheet showing the demographic of participants, highlighting the age of the member and their allocations, a majority of 31 year olds or older were allocated in the Stable Value Fund only, this shows that education regarding diversification is desperately needed. The committee will continue the discussion at the July meeting.

b. 401(a)

- Ms. Davis pointed out the results with the 401(a) plan is similar to the 457(b) plan. It was discussed that education on the value of earning a proper retirement income and how to have a plan. Joe Cullen from MBOI suggested that when TR Price is here in July, that they also present on glide paths and how retirement goals can be reached. The committee will continue this discussion at the July meeting.

**X. Annual Fee Review –DC & 457 (2:59:07-3:23:40) Ali Rice**

- Ali Rice presented on the current financial standing within both plans. Ali showed comparisons of 2015, 2016 and 2017, and also projections for the next three years. Paul Spengler motioned to recommend the Board to not increase the fees for the 401(a) plan, Diane Fladmo second the motion, which passed unanimously. Tim House motioned to recommend the Board to not increase the fees in the 457(b), Diane Fladmo second the motion, which passed unanimously.

**XI. Auto Enrollment Education (3:27:40-4:20:48) -Anne Cappel, Empower Retirement**

- Anne Cappel presented the industry standard on auto enrollment and auto escalation. Most plans give the members a 90 day window to opt out of participation, if that time passes they cannot opt out, but can stop the deferrals at any time. In order for Montana to utilize an Auto Enrollment program, there would be statutes and labor laws to address, which would take legislation to implement, the next legislative session in in 2019. Ms. Davis suggested that as a group the committee work on White Paper to prepare the pros and cons that they then could take to the Board. There is no promise that this would be ready by the July meeting, but perhaps by September.

**Meeting Adjourned at 4:22 PM.**

Next Meeting will be July 27, 2017