

Public Employees' Retirement Board
EMPLOYEE INVESTMENT ADVISORY COUNCIL

100 North Park Avenue, Room 201

Helena MT 59601

Thursday January 25, 2018

1:00 PM

ATTENDANCE

Council Members

Patricia Davis, Chair

Tom Schneider, Member-Excused

Tim House, Member

Amy Berry, Member-Excused

Barb Wagner, Member-Phone

Steve Hagen, Member

Jim Penner, Member-Phone

Diane Fladmo, Member

Jeff Bollman, Member

James Helgeson, Member

Malissa Williams, Member-Absent

Trish Klock, Member

MPEA Staff

Melanie Symons, Chief Legal Counsel

Beth Long

Public

Donald Eibsen, Conduent

Paul Spengler

Presenters

Donald Eibson, Conduent HR Services Investment Counseling

II. Roll Call (0:10-4:05)

III. Public/Member Comment (4:06-4:40)

- Ms. Davis welcomed Trish Klock to the EIAC committee, Trish is employed with the Helena Education Association. Ms. Davis also informed the committee that Tammy Potter will be replacing Paul Spengler, who retired, in April. Tammy is the Sheriff Budget Officer with Lewis and Clark County.
- Ms. Davis stated that since there isn't a quorum to approve the minutes from the previous meeting at this time, the meeting would start off with the Market Review.

ACTIONS

**IV. Fund Performance Review-Don Eibson,
Conduent HR Services Investment Counseling (4:40:00-19:54)**

a. Market Review (4:40:00-19:58)

Mr. Eibson reviewed current standings and highlights of the Market in General.

U.S stocks produced positive returns in the fourth quarter along with Bonds.

International developed markets continued their strong performance. Mr. Eibson

discussed the US Economy, the drop to 4.1% for the unemployment rate. At the end of

December 2017, inflation had increased to 2.1%, returning to 2016 year-end levels. Current standings of Bonds, Equities and Fixed income were also presented.
No Action Taken.

V. Approval of EIAC meeting minutes- July 27, 2017 (19:59-20:20)

- Diane Fladmo moved to approve the meeting minutes from October 26, 2017. Steve Hagen seconded the motion, which passed unanimously.

IV. Fund Performance Review Continued-Don Eibson

Conduent HR Services Investment Counseling

b. 457(b) Deferred Compensation Plan (20:37-58:54)

Mr. Eibson 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 December 31, 2017. The plan assets totaled \$ 499.6 million, they are allocated as 47% to the Stable Value fund, 2% to Bond funds, 12% to Target Date/Balanced funds, 31% to U.S. Equity funds, and 8% to International Equity funds. Tim House questioned that maybe the Stable Fund needed deeper review. Don stated that PIMCO would be presenting on that later in the meeting, but in the meantime with the PIMCO wrap takes away volatility, when asked about Money Market, Don Eibson explained they would be a smaller yield.

No action taken.

c. 401(a) Defined Contribution Plan (58:56-1:14:29)

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 totaled \$ 215.3 million as of December 31, 2017. This is up from September 30, 2017. The Plan assets were allocated 7% to the Stable Value Fund, 2% to Bond fund, 55% to Target Date/Balance funds, 28% to U.S. Equity funds, and 8% to International Equity Funds. There was discussion regarding changing the Share Class for JP Morgan US Equity Fund from R5 to R6. To let participants know of the Share Class change a narrative would be added to their Statements. Tim House moved to Change the Share Class from R5 to R6, Diane Fladmo second the motion which passed unanimously.

VII. Bond Index Fund Search- Don Eibson, Conduent (1:14:42-1:28:08)

- Mr. Eibson went over the Net of Fee Total Returns, Standard Deviation and Expenses for Fidelity US Bond Index Premium and Vanguard Total Bond Index Admiral. When looking at Peer Group Ratings, the general fund information and the Morning Star fund sheets, Vanguard total Bond Index Admiral was the stronger candidate. Tim House moved to add the Vanguard total Bond Index fund to both the 457(b) and 401(a) plans Jeff Bollman second the motion which passed unanimously.

VIII. Target Date Fund Discussion Collective Trust vs. Share Class, Don Eibsen, Conduent (1:28:10 – 1:37:39)

- Mr. Eibsen presented Retirement Glide Path Solution information to continue the discussion on changing the Target Date Fund Share Class that was discussed at the October 26, 2017 meeting. Mr. Eibson presented the Glide Path for Higher Equity choices, Retirement I Funds and Retirement Trust Funds. The committee feels that they would want to have an internal review of their legal documents in order to make a better decision. They would like samples of the Fund Sheets also. Steve Hagen moved to continue the discussion with additional information on the April 26th meeting. Jim Helgeson seconded the motion which passed unanimously.

X. Policy Review (1:37:49-1:52:59)

- a. The committee reviewed the DC Plans Investment Option Overlap Policy – Board Admin 08. This document has duplicate language that is also found in the individual plans Investment Policy Statements, Investment Policy Statement 401(a) Defined Contribution Retirement Plan-Board Admin 11 and Investment Policy Statement 457(b) Deferred Compensation Plan–Board Admin 12. There are a few grammatically errors to address, and punctuation. To streamline Board Admin 8 would be eliminated. Diane Fladmo moved to approve the change and Steve Hagen second the motion which passed unanimously.

XI. PIMCO-Stable Value Fund Discussion-Brett Gorman and David Berg-Conference Call Investment Guidelines-proposed update (1:53:14-2:41:30)

- a. Mr. Gorman opened by going over PIMCO's history, their best practices and explanation of what a Wrap contract is for the Stable Value Fund. The Stable Value Fund is currently wrapped by three insurance carriers; Trans American, Voya, PIMCO, and Prudential.
The Wrap contract helps smooth returns over time, allows participants to transact daily and provides catastrophic coverage. We are currently using the existing investment guidelines originally agreed to in the Trans America's Investment Policy. The agreement needs updates, so that it reflects PIMCO's Investment Management Agreement. PIMCO discussed the benefits of adapting a new agreement; such as adding discretion, tools to better manage risk, and changing holdings and the asset mix. Jim Penner inquired as to what we would get out of the changes. The committee would like PIMCO to provide a Red Lined document to be able to compare to what is already in place. Tim House moved to move the discussion to the April 26th meeting, Diane Fladmo second the motion which passed unanimously.

XII. Work in Progress (2:41:58-2:48:42)

- There's a draft on Auto Enrollment being done, it's not completed yet, but a lot of information and research has been gathered.
- The Education department is working on new education materials regarding minimum deferral requirements and Growth vs Value.
- In February Empower Retirement is meeting with MPERA Educational staff to work on providing more education and consistency.

April Discussion Items:

- Annual fee review for the 457(b) and 401(a) plans.
- Empower 2017 Plan Reviews
- The PIMCO Investment proposal will be discussed.
- Target Date Fund discussion with Conduent.

Next Meeting will by April 26, 2018

Meeting Adjourned at 4:10 PM