

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

100 North Park Avenue, Room 201

Helena MT 59601

January 24, 2019

1:00 PM

**ATTENDANCE**

***Council Members***

Patricia Davis, Chair

Tammy Potter, Member

Tim House, Member

Amy Berry, Member-Absent

Barb Wagner, Member- Phone

Steve Hagen, Member-Absent

Jim Penner, Member-Phone

Diane Fladmo, Member

Jeff Bollman, Member

James Helgeson, Member

Malissa Williams, Member-Excused

***MPERA Staff***

Beth Long-MPERA

Melanie Symons-MPERA-Chief Legal Counsel

Jenny Weigand –MPERA-Education Supervisor

***Public***

Chris Heisel-Empower Retirement

Sheena Wilson-MPERA Board Member

Liz Davidsen-Empower

***Presenters***

Thomas Coughlin, Buck Consulting, LLC

Jenny Weigand, Education Supervisor-MPERA

**I. Call to Order**

**II. Public/Member Comment (0:00:15- 1:03)**

- No public comments

### III Roll Call (1:05 – 1:41)

#### ACTIONS ITEMS

#### IV. Approval of EIAC meeting minutes-October 25, 2018 (2:08:02 – 2:45)

- Jim Helgeson pointed out that the minutes read that Jim House approved the last meeting minutes when it was actually Tim House, correction made. Jim Helgeson moved to approve the minutes and Diane Fladmo second the motion.  
Approved unanimously.

#### V. Fund Performance Review-Tom Coughlin Buck Consulting, LLC (3:18 – 1:32:41)

##### a. Market Review

Mr. Coughlin reviewed current standings and highlights of the Market. U.S. Stocks produced strong returns during the fourth quarter. U.S. stocks reversed their strong returns from the third quarter, due rising interest rates among other factors, geopolitical concerns, such as Brexit and trade wars between the US and china.. S&P 500 index down – 13.5%. MSCI Emerging Market Index also were low for the fourth quarter at – 7.5%, JP Morgan Emerging Markets Bond Index returning -1.4% and International Equities returning – 12.5%. The Feds did raise the federal funds rate by a quarter point to 2.5% in December. Hourly earnings continue to rise, along with the unemployment rate. No Action Taken.

##### b. 457(b) Deferred Compensation Plan

Mr. Coughlin gave an overview of the performance of the 457(b) Deferred Compensation Plan for the quarter ending December 2018. The Plan assets totaled \$484.9 million down from \$520.82 million from September 30, 2018. The Plan assets are allocated 48% to the Stable Value Fund, 2% to Bond Funds, 13% to Target Date fund/Balanced funds, 30% to U.S. Equity funds and 7% to International Equity funds. Mr. Coughlin informed the committee that Neuberger Berman High Income Bond the Senior Portfolio Manager, Tom O'Reilly will retire at the end of 2019, and Patrick Flynn take over the responsibilities. Mr. Coughlin assured the group that there is no recommendation to make any changes at this time. Mr. Coughlin began with the Fund Overview and suggested it would be safe to remove Artisan International from probation, but would like Franklin Mutual Global Discovery to stay on probation at least for a couple more quarters, as they have not changed their processes as Artisan has. Mr. Coughlin continued his presentation on the current Peer Group Rankings for the current funds in the 457(b), along with the three year Risk/Return Profile. Equity Portfolio Style Characteristics were also discussed. There was a general discussion on what the Board of Investments funds are regarding the Defined Benefit plan and comparing what the investments are with the 401(a) Defined Contribution Plan and the 457(b) Deferred Compensation Plan. Tim House will get a breakdown so the committee can look at comparisons. A discussion followed on the Artisan International Fund being removed from probation followed, Jim Helgeson moved to remove Artisan from probation and Tim House second that motion. Approved unanimously.

**c. 401(a) Defined Contribution Plan**

Mr. Coughlin went over the Plan Overview for the 401(a) Defined Contribution Plan, the assets totaled \$218.61 million as of December 2018, which is down from 238.48 million from the previous quarter September 2018. The Plans assets are currently allocated as 7% to the Stable Value fund, 2% to Bond funds, 56% to Target Date/Balanced funds, 27% to U.S. Equity funds, and 7% to Internationals Equity funds. Morningstar Benchmarks were also looked at, along with Sector allocation, fees and revenue sharing, Peer Group Rankings and general fund information. Mr. Coughlin will add to his presentation in the future highlighting one asset class at a time and show rolling 5 year returns. Ms. Davis added that at the next meetings members will see a drop in the T.Rowe Price drop to a .46 expense ratio, which is due to moving to a Collective Trust. No Action Taken.

**VI. Fidelity Contra Fund- share Class Discussion (1:32:50--1:37:48)**

- The committee discussed share class available in the Fidelity Contras Fund. Fidelity Contra fund is now available in a K institutional share. The current share class provides revenue sharing back to members. Tom Coughlin advised that there are is enough invested to justify the lower share class however, the refund of share class to members makes the current share class a better deal for members. It's the job of EIAC to look at the different share classes when they become available. Motion made to keep existing share class, Tim House moved to keep the existing share class and Jeff Bollman second the motion. Approved unanimously.

**VII. Board Admin Policy 11-State of Montana Investment Policy Statement-401(a)**

**Board Admin Policy 12-State of Montana Investment policy Statement -457(b) (1:38:40- 1:59:38)**

- Review of the investment Policy Statements for both plans, it's a duty of the committee to occasional make changes or not, then they go to the board for approval. Tom had a couple of suggestions in both policies the introduction on both policies the last line "(including brokerage options)" to be deleted. The other section on page 2 under Objectives, last sentence, first paragraph to read "The selection is intended to make it possible for the individual participant to have the ability to achieve materially effect of both potential return and degree of risk to each participant." The last suggestion from Tom Coughlin was to make a change to page 6, under Section D "Closure of an Investment Alternative" to change the period of time allowed to transfer a fund if one is terminate from the plan, it was found that in the Plan Document we have the 90 day rule for changes to let Empower make their required adjustments and for MPERA to notify participants of changes. The language will stay the same. Tim House made the motion to delete language on page one and reword language on page 2, Jeff Bollman second the motion. Approved unanimously.

**VII. National Retirement Week Update-Jenny Weigand, Education Supervisor-(1:59:54-2:01:49)**

- Empower and the Education staff held 8 webinars and 2 lunch and learns which had an attendance of 123 participants which is high compared to past webinars when only 2 to 3 people attending. The topics ranged from Market volatility to Generation X. The early numbers show that there were 2 new enrollments, 7 increases in contributions and 2 that restarted their contributions, more info will come in as this information is directly following the webinars so the numbers can increase. The education staff were working on their campaign for February titled "Falling in Love with Retirement" and would be doing several Lunch and Learn meetings and webinars, they are also working on a social media campaign.

**XI. Investment Consultant RFP-Update-Dore Schwinden Director MPERA, Don Villa Director BOI  
(2:02:17-2:13:12)**

- Dore Schwinden presented that since we were coming up with an RFP in January, and since BOI is also going out in November, so they thought there would be cost savings and efficiency that it would work well to work together to do a joint RFP. Dore mentioned that when going out for actuarial services we have the same as Teacher's Retirement has benefited our stake holders, material is similar. The process will start with a RFI to proceed forward in February or March, so we can move forward in April. Don Villa spoke of his goal to better align the Board of Investments, Montana Public Employees Administration and Teacher's Retirement, to more closely work together makes better results and cost savings, Teacher's Retirement will be moving into MPERA's building later this year to serve participants more efficiently. The Board will lead the scoring for the choice of the new consultants. Buck Consultants will stay on short term until we find the new Consultant. BOI and MPERA will align their board meetings to accommodate the use of one consultant between the two departments. Barb Wagner asked if there would be any conflict of interest between the departments, Dore assured that legal counsel will be involved during all procedures.

**Agenda items for April 25, 2019 (2:13:14 – 2:14:38)**

Liz Davidsen from Empower will be presenting the Plan Review for both the 457(b) and 401(a) plans. There will be a discussion regarding participant fees and administrative cost.

**Meeting adjourned 3:41 PM**