

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

100 North Park Avenue, Room 201

Helena MT 59601

Thursday, April 25, 2019

1:00 PM

**ATTENDANCE**

***Council Members***

Patricia Davis, Chair – excused  
Melanie Simons Substitute Chair  
Tammy Potter, Member  
Tim House, Member  
Amy Berry, Member  
Barb Wagner, Member  
Steve Hagen, Member  
Jim Penner, Member  
Diane Fladmo, Member  
Jeff Bollman, Member  
James Helgeson, Member  
Malissa Williams, Member - excused

***MPERA Staff***

Ali Rice, Pension Financial Analyst-MPERA  
Jenny Weigand, Education Supervisor-MPERA  
Beth Long-MPERA

***Presenters***

Tom Coughlin, Buck Consulting, LLC

**II. Roll Call (0:01-1:23)**

**III. Public/Member Comment/Introductions (1:24-1:41)**

**ACTIONS ITEMS**

**IV. Approval of EIAC meeting minutes-January 24, 2019 (2:13-2:40)**

- Diane Fladmo moved to approve the meeting minutes for January 24, 2019  
Jim Helgeson seconded the motion, which passed unanimously.

**V. Fund Performance Tom Coughlin, Buck Consulting, LLC (2:47:-1:13:10)**

**a. Market Review**

Mr. Coughlin reviewed current standings and highlights of the Market emphasizing on the 3 month to 3 year cluster, going over the Large, Medium, Small cap funds and the International funds. The unemployment rate decreased to 3.5%, down from 4% in January. The U.S. economy added 196000 jobs in March. Mr. Coughlin presented on the Capital Markets performance up to March 31, 2019, the U.S. economy, fixed income and bond market, and the Equities market. No Action Taken

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

Mr. Coughlin discussed the Overview of the 457(b plan. The plan assets totaled \$ 516.91 million as of March 31, 2019, up from \$484.9 million in September 2018. The allocation of the plan assets are 45% to the Stable Value fund, 2% to the Bond funds, 13% to target Date/Balanced funds, 32% to U.S. Equities and 7% to International Equity funds. The funds' expense ratios remain competitive, the average expense ratio is 0.44% compared to similar plans that are 0.70%. Mr. Coughlin recommended to the committee to drop Franklin Mutual Discovery since it's been on probation since October 2017 and suggested that American Funds New Perspective R6 would be fine as a standalone global fund, or there could be a search done to find another Global fund to replace it. He also presented additional information for the group regarding the statistics they used in regards to Franklin Mutual Discovery and the factors and comparisons to MSCI which also showed the 5 year rolling returns. Buck Consulting reaches out periodically to managers and they have not received a lot of feedback from Franklin, regardless of good or bad performance. Barb Weston made the motion to put out a search for a new Global Value/Growth fund to evaluate the options, Tim House Second the motion, which passed unanimously. Diane Fladmo motioned to switch Fidelity Contra Fund to Fidelity Contra Fund R6 class to decrease participants expense ratio and along with that to also switch the Neuberger Berman Genesis Trust Class to the Neuberger Berman Genesis class R6, which also reduces participants expense ratio, Barb Wagner seconded the motion, which passed unanimously.

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

Mr. Coughlin discussed the performance of the funds in the 401(a). The assets total \$247.22 million which up from September 2018 from \$ 218.61 million. The assets are allocated with 7% to the Stable Value Fund, 2% to the Bonds funds, 56% to Target Date/ Balanced funds, 28% to U.S. Equities, and 7% to International Equity funds. The average expense ratio is 0.33% compared to other similar plans that are at 0.91%  
No recommendations at this time. No Action Taken.

**VI. Participant Fee Schedule Review-Ali Rice, Pension Financial Analyst-MPERA (1:51:47-2:19:33)**

- Ms. Rice presented the expense report regarding both the 457(b and 401(a plans. The committee was shown the number of participants in the plans, the asset based points, STIP earnings, administrative expenses, Empower Retirement Expenses. There was then a projection going out three (3) more years. There were no suggested changes for the 457(b plans, but Patty had recommended that for the 401(a plan that the 17 basis points change to 14 basis points. Tim House motioned to change the basis points on the 401(a plan to 14 basis points from 17 basis points, Jeff Bollman seconded the motion, which passed unanimously.

**VII. 2018 Plan Review – Liz Davidsen, State Director-Empower Retirement (2:19:56-2:29:15)**

- Ms. Davidsen discussed the activity of Empower Retirements Representatives and field office. Individual counseling sessions, local office foot traffic, a breakdown of forms processed, detailed information regarding group meetings and travel. Ms. Davidsen showed the amount of new enrollments year to date as well as roll ins. The one take away from what they are seeing is that participants need to be more diversified in their portfolio of investment.

**VIII. 2018 Field Activity Summary – John Hess, Director, Participant Engagement-Government Markets-Empower Retirement (2:30:15-3:02:50)**

- Mr. Hess went into greater detail on how the three representatives break out their locations to hit all sections of the state, by visiting State, City and County offices., for the year 32 employers had been visited, there were 35 group meetings with 233 attendees compared to 85 in 2018. Individual appointments were also up from 163 in 2018 to 285 for 2019. These numbers are up to March 2019. Empower is looking at new training opportunities to help with the diversification issue. Mr. Hess mentioned that they are also working on new software to track the field appointments and the topics that are discussed for reporting to the committee the full scope of what Empower is accomplishing. Diane Fladmo mentioned that she was concerned that the participants may not be getting that is required to invest, and hopes the reporting is accurate. Jenny Weigand addressed the statement explaining that the three representatives travel extensively and that many time they are teaming up with the Educators at MPERA. They then can insure members are getting the information they need for all their retirement plans.

**Meeting Adjourned at 4:10 PM.**

**Next Meeting is scheduled for July 25, 2019**