

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

100 North Park Avenue, Room 201

Helena MT 59601

Thursday, July 25, 2019

1:00 PM

**ATTENDANCE**

***Council Members***

Patricia Davis, 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

Kim Stout, Member- excused

***MPERA Staff***

Jenny Weigand, Education Supervisor-MPERA

Beth Long-MPERA

Melanie Symons, Chief Legal Counsel-MPERA

***Public***

Paul Spengler, Retired Public Employee

Gary Whitney, Empower Retirement

Mary Tuttle, MPERA Board Member

John Hess, Empower Retirement

***Presenters***

Tom Coughlin, Buck Consulting, LLC

**II. Roll Call (1:01-1:03)**

**III. Public/Member Comment/Introductions (1:04-1:06)**

## ACTIONS ITEMS

### IV. Approval of EIAC meeting minutes-April 25, 2019 (1:06-1:07)

- There are 2 errors for page 2, correction was made
- Barb Wagner moved to approve the meeting minutes for April 25, 2019  
Diane Fladmo seconded the motion, which passed unanimously.

### V. Fund Performance Tom Coughlin, Buck Consulting, LLC (1:07:01-1:44:01)

#### a. Market Review

Mr. Coughlin reviewed current standings and highlights of the Market, emphasizing the 3 month to 3 year cluster, going over the Large, Medium, Small cap funds and the International funds. U.S stocks continued with positive returns from the previous quarter. The unemployment rate decreased to 3.7%, down from 3.8% in March. The U.S. economy added 224,000 jobs in June. No Action Taken

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

Mr. Coughlin discussed the Overview of the 457(b plan. The plan assets totaled \$ 529.01 million as of June 30, 2019, up from \$516.90 million in March 2019. The allocation of the plan assets are 44% to the Stable Value fund, 2% to the Bond funds, 14% 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 0.71%. Mr. Coughlin presented on the overall range of investment options, Peer group ratings, three year risk/return profile, the stable value performance.

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

Mr. Coughlin discussed the performance of the funds in the 401(a). The assets total \$261.29 million which up from March 31, 2019 from \$ 247.22 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 0.90% No recommendations at this time. Buck Consulting recommended that PGIM Total Return Bond R6 be put on the watch list, but the committee decided to wait until the rest of the presentation for the 401(a) had been presented. Mr. Coughlin went over the Asset Allocations available, the range of investment options, Peer Group rankings. When returning to the discussion of the PGIM Total Return Bond R6, to put it on probation due to risk and bad performance. Barb Wagner moved to put the fund on probation and Diane Fladmo seconded the motion which passed unanimously.

### VI. Global Equity Manager Search-Thomas Coughlin, Buck Consulting, LLC (1:44:08-2:22:10)

Mr. Coughlin went over the findings that Buck Consulting researched for a replacement of Franklin Mutual Global Discovery Fund. There are currently 786 members invested in the fund. They looked at several different characterizes. They looked at funds that are open to new investors, actively managed fund, not an exchange-traded fund, expense ratio of 1.14% or lower. They came up with 5 options where the Franklin Mutual Global Discovery fund could map to. Jeff Bollman moved to eliminate Franklin Mutual Global Discovery and map it to American Funds perspective R6, Steve Hagen seconded the motion which passed unanimously. Communication to members will go out as soon as possible.

**VII. Social Responsible Investing concern-University System employee (2:23:00-2:36:10)**

Amy Berry went over the communication that's been received regarding the fact that there are not more socially responsible funds available to invest in within the plans available to the University System employees. Ms. Davis had responded to the concerns in an email dated April 23, 2019 that any funds added to the plans must meet the standard outline of the Board's Investment Policy Statement, she also mentioned the many discussions with committee have happened in the past regarding socially responsible funds, but the plan does not support unlimited fund options. There will be further discussion on this matter.

**VIII. RFP Update (2:36:50-2:40:35)**

Ms. Davis announced that the RFP submission had closed as of 2:00 P.M. on July 25, 2019 and they would be looking at all those that applied.

**Meeting Adjourned at 4:08 PM.**

**Next Meeting is scheduled for October 24, 2019**