

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

100 North Park Avenue, Room 201

Helena MT 59601

Thursday, January 23, 2020

1:00 PM

ATTENDANCE

Council Members

Patricia Davis, Chair

Tammy Potter, Member

Tim House, Member

Amy Berry, Member

Barb Wagner, Member-Absent

Steve Hagen, Member-Excused

Jim Penner, Member-Phone in

Diane Fladmo, Member

Jeff Bollman, Member-Excused

James Helgeson, Member

Malissa Williams, Member-Excused

Kim Stout, Member

MPERA Staff

Joel Thompson-MPERA Education

Terry Dalton-MPERA Education

Natalie Peetese-MPERA Education

Sheryl Johnson-MPERA Benefit Analyst

Margaret Hartman-MPERA Benefit Analyst

Sheri Mitchell-MPERA Member Services Supervisor

Beth Long-MPERA Benefit Analyst/EIAC assistant

William Holahan, Chief Legal Counsel-MPERA

Public

Chris Heisel, Empower Retirement

Marybeth Daubenspeck, Empower Retirement

Liz Davidsen, Empower Retirement

Jennah Ross, Empower Retirement

Presenters

Mikaylee O'Connor, Sr. Consultant, Principle, RVK, Inc.

II. Roll Call (0:00-0:51)

III. Public/Member Comment/Introductions (0:53-2:47)

ACTIONS ITEMS

IV. **Approval of EIAC meeting minutes-July 25, 2019 (2:50-3:27)**

- Jim Helgeson moved to approve the meeting minutes for July 25, 2019
- Tim House seconded the motion, which passed unanimously.

V. **Fund Performance Mikaylee O'Connor, Sr. Consultant, Principle, RVK, Inc (3:29:01-1:34:00)**

a. **Market Review**

Ms. O'Connor introduced herself to the committee and gave a brief background of her consulting with RVK. RVK, Inc is located in Portland Or., she works out of the New York office. Ms. O'Connor deals exclusively with Defined Contribution plans. RVK also works with the Board of Investments. Ms. O'Connor started with the Capital Markets Review. The Federal Reserve left policy rates unchanged in December, citing concerns of muted inflation amidst a strong labor market. The U.S Treasury rates rose and Global Equity markets rallied in December, due to the US/China trade agreement news. Equity markets posted positive returns in December.

b. **457(b) Deferred Compensation Plan/ 401(a) Defined Contribution Plan-Overview**

Ms. O'Connor designed the Committees handout to show both the 457(b) Deferred Compensation Plan and the 401(a) Defined Contributions Plan side by side on each slide as a comparison, since both plans have similar funds. On the 401(a) Defined Contribution list of funds, PGIM QMA Small Cap Value Z fund has been on the watch list, she did not recommend removing it from the list and will continue to monitor performance. Ms. O'Connor reviewed investment structure, asset allocation by Management and Managers, also provided details of the comparative performance of both plans. She covered the Fund Fee Peer groups as well as the Style Analysis of the two plans

VI. **T.Rowe Price Target Date Funds-Share Class change-Mikaylee O' Connor, Sr. Consultant, Principle, RVK. Inc. (1:34:08-1:39:57)**

The 457(b) Deferred Compensation plan and the 401(a) Defined Contribution plan both offer the T. Rowe Price Retirement Trust as the target date fund offering and use it as the default investment option. RVK recommends that with assets of both plans totaling \$ 128 million as of December 31, 2019 the Plans qualify for a lower fee class. The investment manager and strategy will remain the same, but the management fees will decrease from 0.46% to 0.43%. Diane Fladmo moved to change the T. Rowe Price Retirement Trust Class A to Class F. Tim House second the motion which passed unanimously.

VII. **Investment Policy Review – Patricia Davis, Bill Holahan, Mikaylee O'Connor (1:40:00-2:00:02)**

RVK conducted a review of the Investment Policy Statements for 457(b) Deferred Compensation Plan Policy No. BOARD ADMIN 12 and the 401(a) Defined Contribution Plan Policy No. BOARD ADMIN 11. The review was done to recommend enhancements and share their views of the investment policies. There were recommendations to adjust language in the introduction, objectives, and investment alternative sections of the policies. The committee reviewed the changes to be made. Tim House moved to

approve the changes that were recommended and Diane Fladmo second the motion which passed unanimously.

VIII. Retirement Income Discussion-Pat 1. Mikaylee O'Connor, Sr Consultant, Principle, RVK. Inc. (2:00:57-3:01:00)

Ms. O'Connor's presentation focused on Worker's vs. Retirees. She showed differences between the two groups and their confidence in having enough income at retirement or during retirement. The presentation showed that current working employees and retirees still need to look at their portfolio and asset allocation. Ms. O'Connor stressed the importance of planning for retirement with current employees by looking at future healthcare cost, long term care, social security benefits and retirement account benefits. Along with this presentation the MPERA Education staff supplied their 2019 quarterly report and Empower Retirement staff supplied the 2019 Annual review report. No action taken.

Next Meeting Agenda items Patricia Davis (3:01:08-3:06:50)

Plan Fee Review

Retirement Income discussion Part II

Empower Annual Review Presentation

Secure Act- what impact it will have on both plans

Salary Deferral Change to become more flexible to participants

Meeting Adjourned at 4:23 PM.

Next Meeting is scheduled for April 23, 2020