

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

100 North Park Avenue, Room 201

Helena MT 59601

Thursday, April 23, 2020

1:00 PM VIA ZOOM Conference Call

**ATTENDANCE**

***Council Members***

Patricia Davis, Chair

Tammy Potter, Absent

Tim House, Member

Amy Berry, Member

Barb Wagner, Member

Steve Hagen, Absent

Jim Penner, Member

Diane Fladmo, Member

Jeff Bollman, Member

James Helgeson, Excused

Malissa Williams, Member

Kim Stout, Member

***MPERA Staff***

Joel Thompson-MPERA Education

Doug Hays-MPERA Education Supervisor

Hollie Resler-MPERA Financial Services Bureau Chief

Ann Reber-MPERA Publications

David Swenson-MPERA IT Systems Supervisor (Tech Support for ZOOM meeting)

Beth Long-MPERA Benefit Analyst/EIAC Assistant

***Public***

Scott Braun-Empower Retirement

Aaron Pratt-MPERA Board Member

Sheena Wilson-MPERA Board Member

Terri Hogan-MPERA Board Member

Dave Severson-MPERA Board Member

***Presenters***

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

Ali Rice- MPERA Pension Financial Analyst

William Holahan, Chief Legal Counsel-MPERA

Marybeth Daubenspeck, Empower Retirement

Liz Davidsen, Empower Retirement

**II. Roll Call (1:00-1:10)**

### III. **Public/Member Comment/Introductions (1:12)**

Ms. Davis discussed the new format using ZOOM, she let the audience know that they can raise their hand through ZOOM, please don't use the chat feature for financial discussions, those questions or comments should all be done through the audio feature.

## **ACTIONS ITEMS**

### IV. **Approval of EIAC meeting minutes-January 23, 2020 (1:18)**

- Diane Fladmo moved to approve the meeting minutes for January 23, 2020
- Malissa Williams seconded the motion, which passed unanimously.

### V. **Fund Performance Mikaylee O'Connor, Sr. Consultant, Principle, RVK, Inc (1:21)**

#### **a. Market Review**

Ms. O'Connor began with the Capital Markets Review. She started by updating the current economic situation with the Coronavirus causing market volatility and the speed of the decline in the market. S&P 500 declined 34%, between February 19<sup>th</sup> and March 23<sup>rd</sup>, before it regained some of the losses, posting -14% as of April 13<sup>th</sup>. Industries hit the hardest were commercial aerospace, air & travel, insurance carriers, oil and gas, automotive and entertainment activities. Unemployment claims were high reaching 6.6 million for the week that ended April 4<sup>th</sup>. U.S. economists estimate that the GDP will suffer a 9-40% decline during the second quarter. Ms. O'Connor stressed the importance of not timing the market and to continue to invest in the down market and that rebalancing is still very important. The Federal Reserve has taken measures developing new tools to combat the challenges presented by COVID-19. On the 27<sup>th</sup> of March the CARES Act was enacted that introduced a stimulus package for individuals, state-level governments, with loans for corporations and more to help with payrolls and keeping businesses up and running as much as possible.

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

Ms. O'Connor went over the Investment Options in both plans and discussed the Investments RVK suggests as "On Watch". They are PGIM QMA Small-Cap Value Z, Oakmark International, Investment. Oppenheimer, and Neuberger High Income B. Ms. Davis asked the committee their concerns with PGIM QMA Small Cap which has been "On Watch" since July 2019. It was suggested within the committee to start a search for a Value or Small Cap fund, and that more than one search for both types of funds can be done. Diane Fladmo moved to start the search and Barb Wagner 2<sup>nd</sup> the motion which passed unanimously. Ms. O'Connor went over the Investment structure for both plans, current Asset allocations within both plans, Fee distribution, Fee structures, and comparative performance of those funds including Peer Group Analysis, Risk and Return and style types. Ms. O'Connor updated the committee on the change that T. Rowe price and implemented for their suite of funds, these changes do not impact strategies' objective. The changes increase the Glide Path strategy, there is an addition of two active funds to enhance diversification, and changes to the fee structure to an all-inclusive top down calculation. RVK views the changes as reasonable. She supplied information on the current Fee schedule for the Target Date funds.

**VI. Administrative Fee Review-Patricia Davis, Ali Rice, Mikaylee O'Connor (3:00)**

Ms. Davis went over the objectives of the 401(a) and 457(b) Plan policies, which is to establish guidelines to ensure sufficient revenue to pay administrative expenses in both plans. The 457(b) plan is the supplemental retirement plan and is designed to be self-sufficient. The 401(a) plan is set up for participants that choose to direct their own assets and is funded by forfeitures. Forfeitures occur when employees terminate employment and cash out prior to 5-years vesting. The employer's contributions are then deposited back into the plan.

Ali Rice presented the current revenues and expenses for both plans. Ms. Davis informed the committee that there is an in balance with the 457(b) plan as the high balance participants are subsidizing the low balance participants, and suggested that they have RVK develop a hybrid pay fee to even out the current in balance.

Jeff Bollman would also like to see of the high balance holders who are active members vs retired members. Diane would like that the committee continues with regular fee reviews and to look at different scenarios to not hurt the high balance account holders.

Tim House made a motion to keep the 457(b) fees as is, Jim Penner 2<sup>nd</sup> the motion which passed unanimously.

Ali Rice detailed the 401(a) costs, fee structure and current standings. The plan has had forfeitures from members who are not vested at five years and the amount of revenue that is going back to MPERA, which has put it in above normal balance of the Board Policy, which makes it overfunded currently. There was discussion on giving plan participants a Fee Holiday, Jim Penner wanted to know if that Holiday of no fees would be for one year, or to be done with a quarter by quarter situation. Jeff Bollman supported the fee Holiday as a quarter by quarter, and Diane Fladmo stated that it would be in line with the current policy. The final decision would have to go to the MPERA Board for approval.

Jim Penner moved to a quarterly fee Holiday structure, Tim House second the motion which passed unanimously. The fee Holiday is for the 401(a) Plan only, the fee by Empower for the 457(b) Plan of \$ 63.00 per participant stays the same.

**VII. Secure Act & Care Act Presentation- Bill Holahan, Chief Legal Counsel (3:50)**

Mr. Holahan supplied the documents that would be going to the Board for approval at their next meeting. The Setting Every Community Up for Retirement Enhancement Act (SECURE ACT) amends the timing for Death payments to beneficiaries regarding the minimum distribution rules that are currently in place with the new age requirements of age 70 ½ if the participant was born before July 1, 1949 or age 72 if the participant was born after July 1 1949. These changes also apply to participants that retire.

Diane Fladmo motioned to adopt the plan document amendments for both the 401(a) and 457(b) Plans, Jeff Bollman second the motion which passed unanimously.

The CARE ACT is in response to the current COVID-19 crisis related to in-service distributions with a diagnosis for either the member, spouse or dependent, there would be changes in tax treatment of distributions and early withdrawal penalties, and the option of re-payment within 3 years. This is not in force and MPERA is in a wait and see approach at this time. Diane inquired if there had been any requests regarding these types of distributions yet, Ms. Davis stated that there had not yet been an uptick in Hardship requests regarding COVID related situations. Liz Davidsen mentioned that Empower has had only a handful of inquiries regarding distributions due to COVID-19. Bill will be supplying a script to MPERA's call center for members who may call regarding these questions. Empower also has a plan in place to deal with requests. Mr. Holahan stated that if the situation arises the Board can always call an emergency Board meeting.

**VIII. 2019 Plan Summary Presentations Liz Davidsen & Marybeth Daubenspeck, Empower Retirement (4:30)**

Ms. Daubenspeck updated the committee on the staffing in Denver, they currently have 13% of the staff out in the field, and 98% are working from home. They are concentrating on the remote works continuing to protect participants data, and all information is encrypted, they continue to do full security training for their employees, with no printing from home, or the use of USB or file sharing. They have updated their call routing to get participants to a Registered Representative quickly. Registered Plan Counselors are tracking any inquires that they get regarding questions on the CARE ACT or Secure Act.

Liz Davidsen presented the Annual Plan Review for the period of April 1, 2019 to March 31, 2020. This included the contributions, distributions, net investment loss and asset change for the year in each asset class. Ms. Davidsen showed the breakdown of contributions by Fund for both the 401(a) and 457(b) Plans in the first quarter including contributions for the Roth option in the 457(b) Plan. The committee was also updated on the "Key Talk" Internet statistics that the Denver office receives. Ms. Davis encored the committee members to look over the Education Staff 25019 Field Report along with the 2020 first quarter report supplements in their packets.

**Next Meeting Agenda items Patricia Davis  
Retirement Income discussion Part II  
RFP Update**

**Meeting Adjourned at 4:53.  
Next Meeting is scheduled for July 23, 2020**