

**Public Employees' Retirement Board  
Employee Investment Advisory Council**

100 North Park Avenue, Room 201  
Helena MT 59601

MINUTES

Thursday January 28, 2021

1:00 – 5:00

VIA: REMOTE – ZOOM meeting.

**Attendance**

***Council Members***

Patricia Davis, Chair  
Tammy Potter, Member  
Tim House, Member  
Amy Berry, Member  
Barb Wagner, Member  
Jim Penner, Member  
Diane Fladmo, Member  
Jeff Bollman, Member  
Malissa Williams, Member  
Kim Stout, Member  
Nadine Henning, Member

***MPERA Staff***

Bill Holahan - MPERA Chief Legal Counsel  
Kris Vladoic - MPERA Program Specialist  
Ann Reber - MPERA Education  
David Swenson - MPERA IT  
Doug Hays - MPERA Client Services Supervisor  
Hollie Resler - MPERA Fiscal Services Bureau Chief  
Jenn Bergner - MPERA Education  
Joel Thompson - MPERA Education  
Terry Dalton - MPERA Education

***Public Members***

Sheena Wilson, President of MT Public Employee Retirement Board  
Sarah Piper, MFPE  
Elise Willey, RVK, Inc.  
Eryn Bacewich  
Robyn Driscoll, Member of MT Public Employee Retirement Board  
Scott Braun, Empower

***Presenters***

Mikaylee O'Connor, Sr. Consultant, Principle, RVK, Inc.  
Ian Bray, RVK, Inc.  
David Berg, PIMCO  
Chris Heisel, Empower  
Liz Davidsen, Empower  
Sarah Boctor, CFA, Associate Consultant, RVK, Inc.

**I. Call to Order -1:06 p.m. (8:51)**

Ms. Davis reminded everyone on the format using ZOOM, she let the audience know that they can raise their

hand through ZOOM. Please do not use the chat feature for financial discussions, those questions or comments should be done through the audio feature.

## **II. Roll Call (9:50 - 10:02)**

Diane Fladmo who has accepted a new position within her labor organization and is no longer a member of EIAC. Her replacement is Sarah Piper from the same organization. Nadine Hanning is replacing the local government employee's representative and is from Great Falls Transit. Great Falls Transit is a 457 only employer.

## **III. Public/Member Comment on any subject of interest not on the agenda**

There was not an public or member comment.

## **IV. Approval of EIAC meeting minutes – October 22, 2020 (13:25-13:30)**

- Malissa Williams moved to approve the meeting minutes for October 22, 2020.
- Jeff Bolman seconded the motion, which passed unanimously.

## **V. Fund Performance Review *Mikaylee O'Connor, Sr. Consultant, Principal, RVK, Inc. & Ian Bray* (13:52 - 42:50)**

Prior to presenting, Mikaylee O'Connor announced that she will no longer a part of RVK, Inc as she has accepted another position. Ian Bray, Consultant with RVK, Inc. will now be stepping into Mikaylee's role. He is in Spokane WA.

In Capital Markets, there were two significant developments in the fourth quarter that help markets continue their upward trajectory. One of the developments was the \$900 billion pandemic relief bill that was signed into law on December 27, 2020. The other being the Covid vaccine trials from Pfizer and Moderna with positive efficacy results. This allowed market participants to pull forward expectations for normalized economic activity for much of the developed world.

In addition, the Eurozone passed its own stimulus package in December as well as the central banks and the Federal Reserve continuing to be accommodative.

This resulted in the Equity Markets up double digits for the quarter, the S & P 500 was up 12.1% and ending the year being up 18.4%.

Within the international space, developed and emerging markets, there were even higher quarterly returns, ranging from 16% to almost 20%. Almost all major asset classes, except for rates and commodities, posted positive returns for the year.

The U.S. equity space saw some meaningful trend changes and this quarter marked the end of a consistent string of growth lead quarters. Over 2020, the growth has continued to outperform value, but there was a reversal during the fourth quarter. Some of that trend was due to the prospect of lockdowns easing in 2021 which helped contribute to stronger performance within the energy and financial sector and the small cap stocks.

Active management was mixed across the board and you will see that when we look at some of the performance for the managers and fund within both plans. Some managers really outperformed quite well in the fourth quarter and some that lagged.

On the fixed income side there were modest returns of .7% during the quarter, capping off a 7.5% year to date return and overall strong year for fixed income, supported by record fiscal and monetary stimulus. There was a

steepening of the yield curve during the quarter, but rates across the board remain depressed versus historical levels means that fixed income returns are going to be low going forward. There were some pockets within the fixed income market, namely credit yield and emerging market that performed better than other sectors and we will see that performance reflected in some of our fixed income.

Ms. O'Connor presented the investment policy review. This is a summary of all investments within the plans and comparing them to our policy statement and providing a high-level summary of the results.

Regarding our passive funds, which are mostly managed by Vanguard and one being managed by BlackRock, continue to perform within expectations. With the Active US Equity funds, all have performed in line with expectations, except for the Fidelity Contrafund. They have been struggling over the last couple quarters and tends to be a bit more conservative.

Within the MidCAP funds, which includes MFS Mid Cap Value and Janus Henderson Enterprise. Janus Henderson is now underperforming at the three- and five-year rankings. Janus is performing about 15% below the benchmark.

Ms. O'Connor then gave an overview of the small CAP options which are Neuberger Genesis and Blackrock and they both continue to perform well. Within the international space, we have Oakmark and Artisan International, with Oakmark International being in a review status. But with the rotation from value to growth, Oakmark did outperform its benchmark by 15%. It is still down year to date but is in a better position than it was a quarter ago. Artisan is still underperforming despite having a higher actual absolute year to date return than Dodge and Cox. This will need to be monitored.

Ms. O'Connor then gave an update regarding the Invesco Developed Market Fund which is in a probation status. RVK, Inc. gave an overall negative research rating and based on our investment policy, it is being categorized as a probation status.

In the fixed income, the Neuberger Berman continues to be on watch with RVK and continues to be in a review status based on our investment policy. This will be discussed further in the investment manual review.

Ms. O'Connor reported on Target Date Funds. Comparing target date funds are challenging as there are multiple managers and they all approach the space differently. The T.Rowe Price funds are doing quite well. RVK updated the presentation table to have it be in sync with our investment policy statement. There are no recommendations for changes at this time.

Ms. O'Connor moved on to the Asset Allocation review. The goal, by the end of the next quarter, is to have combined assets in both the 401(a) and 457(b) plans to be over a billion dollars. The assets are divided a bit differently between the two plans.

**VI.** Board Admin 11 State of Montana Investment Policy Statement 401(a) DCRP- Annual Review– *Mikaylee O'Connor, Sr. Consultant, Principal, RVK, Inc.* (42:52 - 50:07)

RVK reviews the State of Montana Investment Policy Statements for the 401(a) Defined Contribution Plan, the 457(b) Deferred Compensation Plan, and the Montana Fixed Fund. In addition, there were a few proposed investment guidelines for the EIAC's consideration.

**VII.** Board Admin 12 State of Montana Investment Policy Statement 457(b) -Annual Review– *Mikaylee O'Connor, Sr. Consultant, Principal, RVK, Inc.* (42:52 - 50:07)

- Jeff Bollman moved to approve the changes to the Investment Policy Statements for the 401(a) and the 457(b) plans that were presented by RVC, Inc.
- Kim Stout seconded the motion, the motion carried.

**VIII.** Stable Value Fund – Investment Policy Statement – Annual Review– *Mikaylee O'Connor, Sr. Consultant, Principal, RVK, Inc. & David Berg, CFA, Sr VP, Stable Value, PIMCO.* (50:09 - 1:29:00)

PIMCO is the stable value manager and coordinated with RVK to review the investment policy statement for the Stable Value Fund. The primary focus of the Montana Fixed Fund was to align the policy structure and processes with the DC and 457(b) plans' policy statements. David Berg with PIMCO gave the overview of the changes to the Investment Policy Statement for the Stable Value Fund.

The Montana Fixed Fund is a portfolio that the retirement board owns themselves. The Board hired PIMCO to do all the of the investment management. This investment policy is actually within the stable value's group trust contract and will not have a board policy number related to it.

- Jim Penner moved to accept the changes made to the Stable Value Fund Investment Policy Statement presented by RVC.
- Kim Stout seconded the motion, and motion carried with two members in opposition. (Tim House & Jeff Bolman)  
Ms. Davis suggested that David Berg come back to EIAC and give a more in-depth education on the stable value fund. She feels that this will give the committee a better comfort level regarding the stable value fund.

**IX.** Investment Policy Statements Recommendations – *Mikaylee O'Connor, Sr. Consultant, Principal, RVK, Inc.* (1:29 - 1:32)

RVK reviews the State of Montana Investment Policy Statements for the 401(a) Defined Contribution Plan, the 457(b) Deferred Compensation Plan, and the Montana Fixed Fund. The primary focus of the Montana Fixed Fund was to align the policy structure and processes with the DC and 457(b) plans' policy statements. In addition, there were a few proposed investment guidelines for the EIAC's consideration.

*Break (2:30 – 2:45)*

Meeting Reconvened at 2:45 p.m. (1:35:40)

**X.** Investment Menu Review Part II – *Mikaylee O'Connor, Sr. Consultant, Principal, RVK, Inc* (1:37:13 - 3:13:00)

Ms. O'Conner gave an overview of the investment menu design trends. She also presented the idea of multiple tier levels for each type of investor. The three types being "the do it for me", the "do it with me" and the "do it myself." There is also a fourth tier which involves specialty funds and is geared for the "do it myself" investors.

The goal for this discussion is to design a structure that helps participants make better investment decisions with the goal of hoping to improve their retirement. She presented investment menu structures for the Committee's consideration along supplemental analyses regarding potential fund changes.

Ms. Davis suggested that at the April EIAC meeting that committee discuss how the communication would like that would go to the participants. There have been numerous changes presented and the committee would like effective communication that outlines the changes and how to make investment decisions.

Sheena Wilson suggested that the education of Investment Menu to both the full board and the members of EIAC. She suggested that it not be with a board or committee meeting, but a separate seminar. Aware that it would still be a public meeting which just gives an opportunity for learning without distraction. This could also EIAC opportunity to inform the Board of all they have accomplishing.

Mr. Bray is going to provide the committee with additional information and materials. Ms. Davis will then pass

on the materials to the committee. Additionally, she and Mr. Bray will develop a communication plan as well as scheduling a joint meeting the Board to educate them on these changes that will be recommended.

- XI.** Retirement Readiness Part III– *Mikaylee O'Connor, Sr. Consultant, Principal, RVK, Inc. & Sarah Boctor, CFA, Associate Consultant, RVK, Inc.* (3:13:00)

Due to time constraints, this agenda item will be presented at the next meeting.

- XII.** Paycheck Comparison Examples – *Liz Davidson, Empower Retirement* (3:13:38 - 3:20:30)

Chris Heisel, Empower, gave a presentation on how deferrals will affect a participant's paycheck. He provided a spreadsheet showing different scenarios with a \$100.00 pre-tax deferral. The average effect is about \$78.00 reduction. Mr. Heisel stated that he uses this information often to assist participants that are considering the 457 Plan.

- XIII.** Empower 4th Quarter Field Report -- Informational Handout

- XIV.** Empower Annual Report -- Informational Handout

- XV.** MPERA Education Staff – 4th Quarter Field Report -- Informational Handout

- XVI.** RFP Update (3:21:28 - 3:22:24)

MPERA received three responses to the RFP. In person interviews were held on January 27, 2021. A public meeting will be held the first week of February to discuss scoring of the presentations. Once the scoring is complete the contract negotiations will occur and then there will be a public announcement.

Next Meeting: **April 22, 2021**

Meeting adjourned at 4:34 p.m. (3:23:32)