

Minutes of Meeting

February 1, 2007



MoDOT & Patrol
Employees' Retirement System



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BOARD OF TRUSTEES' MEETING

THURSDAY, FEBRUARY 1, 2007

12:30 p.m.

**1913 William Street
Jefferson City, Missouri**

MEMBERS PRESENT: Mr. Duane Michie, Chairman
Mr. Mike Kehoe, Vice Chairman
Mr. James B. Anderson
Senator John Griesheimer
Representative Charlie Schlottach
Colonel Jim Keathley
Mr. Pete Rahn
Lieutenant Juan Villanueva
Ms. Sue Cox
Mr. Bob Sfreddo

MEMBERS ABSENT: None

STAFF PRESENT: Mr. Norm Robinson, Executive Director
Ms. Susie Dahl, Assistant Executive Director
Mr. Larry Krummen, Chief Investment Officer
Mr. Dan Pritchard, General Counsel
Ms. Lois Wankum, Executive Assistant
Ms. Mariel Hale, Sr. Benefit Specialist
Ms. Mary Jordan, Intermediate Benefit Specialist
Ms. Jennifer Even, Senior Financial Officer
Ms. Bev Wilson, Benefit Technician
Ms. Julie Berhorst, Intermediate Account Technician
Ms. Jennifer Schmitz, Office Assistant
Ms. Ginger Miller, Retiree

GUESTS PRESENT: Mr. Mark Caplinger, Summit Strategies
Mr. John Claisse, Albourne Partners
Ms. Kathy George, MAXIMUS
Ms. Roberta Broeker, MoDOT
Mr. Jim Moody, Legislative Consultant
Mr. John Hartman, Retiree

A regularly scheduled meeting of the Missouri Department of Transportation and Highway Patrol Employees' Retirement System was held on Thursday, February 1, 2007, at the Missouri Department of Transportation and Highway Patrol Employees' Retirement System Building, in Jefferson City, Missouri. The meeting was called to order by Mr. Michie pursuant to Section 104.180 of the Revised Statutes of Missouri, as amended.

APPROVAL OF MINUTES

Mr. Anderson made a motion to approve the November 16, 2006 retirement board meeting minutes. Ms. Cox seconded; motion carried.

The Chairman and Executive Director were authorized and directed to sign and certify said minutes and to file same in the office of the Executive Director.

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CONSENT AGENDA

In order to make the most efficient use of Retirement Board meeting time and to ensure the Retirement Board members are well informed on issues requiring their action, the Executive Director prepares and submits to the Retirement Board members, in advance of their meeting, items on the Retirement Board meeting agenda. Those items considered by the staff to be of a routine or non-controversial nature are placed on the consent agenda. During the meeting, items may be removed from the consent agenda at the request of any one Retirement Board member. The items not removed from the consent agenda are approved with a single motion and unanimous vote by a quorum of the members.

Minutes reflecting approval of items on the consent agenda are singly reported herein and intermingled with minutes reflecting action on related subjects that were openly discussed. Reference to "consent agenda" is made in each minute approved via the process described in the paragraph above. Minutes reflecting action on items removed from the consent agenda and openly discussed reflect the open discussion and vote thereon.

No items were removed from the consent agenda. Upon motion by Mr. Anderson, and seconded by Mr. Sfreddo, all items on the consent agenda were unanimously approved.

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ELECTION OF CHAIRMAN

In accordance with State Statute Section 104.170 RSMo. Mr. Duane Michie was elected Chairman of the Board for a one-year term.

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ELECTION OF VICE CHAIRMAN

In accordance with State Statute Section 104.170 RSMo. Mr. Mike Kehoe was elected Vice Chairman of the Board for a one-year term.

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**RETIREMENT OF “GINGER” MILLER,
SR. ACCOUNT TECHNICIAN**

The Executive Director stated Ms. Ginger Miller, senior account technician, announced her retirement effective January 1, 2007. The Executive Director indicated Ms. Miller has over 18 years of service and expressed appreciation to Ms. Miller for her dedication to the Board.

The Board also thanked Ms. Miller for her years of service.

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**INTRODUCTION OF NEW
RETIREMENT SYSTEM EMPLOYEE – Ms. Julie Berhorst**

The Executive Director introduced Ms. Julie Berhorst to the Board. Ms. Berhorst began employment on November 27, 2006 as an intermediate account technician and replaced Ms. Ginger Miller who retired January 1, 2007.

The Board welcomed Ms. Berhorst to the system.

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INVESTMENT ITEMS

- **Investment Performance – 4th Quarter Review**

Mr. Mark Caplinger and Mr. Larry Krummen presented the December 2006 ASAP report.

- **Update on Absolute Return Portfolio and Albourne Partners**

Mr. John Claisse from Albourne Partners and Mr. Larry Krummen provided an overview of Albourne’s capabilities and an update on the absolute return portfolio.

- **Investment Policy Review / Recommended Changes**

Larry Krummen presented a review of MPERS’ overall investment policy and a recommendation to incorporate the following changes into the document:

- a) Rolling the existing 3% timber allocation into the real estate allocation for a combined 13% allocation to real estate related investments (including timber).
- b) Revising the current absolute return asset class to allow for opportunistic investments into strategies such as infrastructure, oil and gas partnerships, and other absolute return strategies.
- c) A new paragraph clarifying where to allocate investments that fall into a "grey area" and possess characteristics of multiple asset classes.
- d) Revising/simplifying the fixed income allocation by breaking fixed income into two sub-asset classes; traditional fixed income and absolute return.
- e) Various grammatical corrections to improve the overall flow of the document.

On a motion made by Mr. Rahn, seconded by Mr. Anderson, and by unanimous vote of all members present, the Board approved the recommendation from the Executive Director and CIO to incorporate the recommended changes within the investment policy.

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PROPOSAL TO PURCHASE AND IMPLEMENT PENSION ADMINISTRATION SYSTEM

The Board considered a staff proposal to purchase and implement a new system. Chairman Michie will appoint three Board members to a committee to contact Mr. Steve Yoakum of the Public School Retirement System to discuss the possibility of outsourcing this operation. The Board will meet within two weeks (no later than February 16th) to make a final decision on a pension administration system.

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LEGISLATION

Mr. Robinson indicated the following legislation has been filed to date:

Senate Bill 127 – Senator Mayer - Permits MoDOT and Civilian Patrol employees to purchase certain non-federal full time public employee service (not to exceed 4 years).

Senate Bill 293 – Senator Vogel - This proposed legislation would transfer administration of the deferred compensation fund to the MOSERS Board of Trustees.

House Bill 230 - Representative Bruns and Representative Skaggs - This proposed legislation would, if enacted, grant to members of the Closed Plan, who retired prior to July 1, 1990, an additional monthly benefit of \$5 for each year of creditable service.

House Bill 231 – Representative Bruns and Representative Skaggs - This proposed legislation would, if enacted, grant to members of the Closed Plan, an additional benefit of 0.1% for those members who have reached the 65% limit on annual cost-of-living adjustments (COLA's).

House Bill 232 – Representative Bruns and Representative Skaggs - This proposed legislation would, if enacted, increase the annual cost-of-living adjustment (COLA) for certain special consultants and retirees from 80% to 100% of the Consumer Price Index (CPI).

House Bill 390 – Representative Dempsey - This proposed legislation would authorize the Boards of MPERS and MOSERS to establish a benefit plan to address benefit limitations of 26 USC Section 415.

House Bill 391 – Representative Dempsey - This proposed legislation amends the Division of Benefits Order statutes (pertaining to divorces) in the Closed and Year 2000 Plans. Under this provision, the former spouse's benefit will be reduced if the member selects a retirement option with a reduction factor. This legislation also clarifies the plan (Closed or Year 2000) to be used as the basis for a divorce calculation.

House Bill 392 – Representative Dempsey - This proposed legislation addresses the purchase and/or transfer of service from systems other than MPERS and MOSERS.

House Bill 393 – Representative Dempsey - This proposed legislation contains the following provisions:

- Limits liability for the board when it gives education or advice pertaining to retirement planning.
- Permits a member to change his/her plan election prior to mailing or electronically transferring the first annuity payment.
- Clarifies that payment of annuities is to be made on the last working day of the month.
- Temporary annuity payments must end no later than age 62.
- Clarifies how guaranteed payment options are to be paid after death of the member.
- Addresses steps to be taken when a member dies prior to notification (to MPERS) of the death of the members' spouse.
- Clarifies limits on optional life insurance.

House Bill 395 – Representative Dempsey - This proposed legislation amends the reemployment provision in the Year 2000 Plan. The change requires the reemployed retiree to accrue service continuously for one year in order to receive an additional annuity.

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**AUDIT PERFORMED BY WILLIAMS-KEEPERS, LLC
FOR FISCAL YEAR ENDED JUNE 30, 2006**

At the November 16, 2006 meeting, Williams-Keepers, LLC, provided a management information letter which discussed the system's internal controls and other issues for the Board's review and consideration. The Executive Director provided the Board with responses to the issues presented by Williams-Keepers, LLC.

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**DETERMINATION OF ANNUAL COST-OF-LIVING ADJUSTMENT
AMOUNT FOR RETIREES AND SURVIVING SPOUSES**

Mr. Robinson reminded the Board that Section 104.103 and 104.1045 of the Revised Statutes of Missouri requires an annual increase to be determined in January of each year based upon the increase in the Consumer Price Index for All Urban Consumers (CPI-U) over the preceding calendar year and to apply this increase in calculating the annual benefit increases for retirees and survivors.

The average index for 2006 was 201.6, which is an increase of 3.226 percent over the average for 2005. He stated 80 percent of the 3.226 percent change in the Consumer Price Index would be 2.581 percent.

The Executive Director advised the following cost-of-living adjustments (COLA) would be implemented as provided by State Statutes:

CLOSED PLAN

- ◆ Retirees and survivors who have not, and will not reach their 65% cap this year shall receive a COLA of 4%.
- ◆ Retirees and survivors who have reached their 65% cap shall receive a COLA of 2.581%.
- ◆ Retirees and survivors who will reach their 65% cap this year shall receive a COLA equal to the greater of the amount of COLA increase needed to reach the 65% cap, or a COLA of 2.581%.

YEAR 2000 PLAN

- ◆ Retirees under the “Year 2000 Plan” or their survivors shall receive a COLA of 2.581%.

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DIRECTOR’S COMMENTS

➤ Disability Insurance Premium

The Executive Director stated Standard Insurance has agreed to a reduction in the disability premium effective July 1, 2007. The reduction will reduce the annual premium by approximately \$95,000.

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BOARD MEMBER COMMENTS

➤ Public Funds Forum

Mr. Anderson stated the Public Funds Conference attended by several Board members in December 2006 was not as beneficial as it was in the past and suggested Board members consider attending a different conference next year.

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MEMBERSHIP INFORMATION (Consent Agenda)

• **Benefit Payments and Member Data – December 2006**

The Executive Director provided current member & benefit data to the Board. Via approval of the consent agenda, the Board unanimously accepted the reports.

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APPLICATION FOR RETIREMENT AND SURVIVOR BENEFITS (Consent Agenda)

• **New Retirements**

The Executive Director provided the Board with a listing of new retirements for the months of November 2006 and December 2006. Via approval of the consent agenda, the Board unanimously accepted the reports.

• **Authorization to Pay Annuity to Survivors of Deceased Non-Retired Members**

The Executive Director provided the Board with a list of survivors who are eligible to receive a benefit on behalf of a deceased non-retired member. Via approval of the consent agenda, the Board unanimously accepted the reports.

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VOTE TO CLOSE MEETING

The Retirement Board voted to close a portion of its meeting on February 1, 2007, for the purpose of discussing (1) Attorney Client Privileged Communications and Records Protected From Disclosure By Law; (2) Nonjudicial mental or physical health proceedings; and 3) Personnel administration regarding particular employees. Upon motion made by Mr. Sfreddo and seconded by Mr. Anderson to convene in closed session, the following roll call vote was taken by Chairman Michie:

Mr. Duane Michie, Aye
Mr. Mike Kehoe, Aye
Mr. James B. Anderson, Aye
Senator John Griesheimer, Aye
Colonel Jim Keathley, Aye
Mr. Pete Rahn, Aye
Lieutenant Juan Villanueva, Aye
Ms. Sue Cox, Aye
Mr. Bob Sfreddo, Aye

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BOARD OF TRUSTEES' MEETING

THURSDAY, FEBRUARY 1, 2007

**1913 William Street
Jefferson City, Missouri**

CLOSED SESSION

MEMBERS PRESENT: Mr. Duane Michie, Chairman
Mr. Mike Kehoe
Mr. James B. Anderson
Senator John Griesheimer
Colonel Jim Keathley
Mr. Pete Rahn
Lieutenant Juan Villanueva
Ms. Sue Cox
Mr. Bob Sfreddo

MEMBERS ABSENT: Representative Charlie Schlottach

(Consent Agenda) - There were no items on the consent agenda.

DISABILITY REQUESTS

The Board reviewed the following disability case:

Appeal of Termination of Long-Term Disability LTD = Long-Term Disability

Case No. 2002-LTD(1)

After review and discussion, a motion was made by Mr. Anderson and seconded by Mr. Sfreddo, that the denial of LTD benefits be upheld. The following vote was taken:

Mr. Duane Michie, Aye
Mr. Mike Kehoe, Aye
Mr. James B. Anderson, Aye
Senator John Griesheimer, Aye
Colonel Jim Keathley, Aye
Mr. Pete Rahn, Aye
Lieutenant Juan Villanueva, Aye
Ms. Sue Cox, Aye
Mr. Bob Sfreddo, Aye

Being fully informed relative to this disability case, the Board confirmed termination benefits for the above referenced case.

Appeal of Termination of Long-Term Disability LTD = Long-Term Disability

Case No. 2003-LTD(14)

After review and discussion, a motion was made by Mr. Anderson and seconded by Colonel Keathley, that the denial of LTD benefits be upheld. The following vote was taken:

Mr. Duane Michie, Aye
Mr. Mike Kehoe, Aye
Mr. James B. Anderson, Aye
Senator John Griesheimer, Aye
Colonel Jim Keathley, Aye
Mr. Pete Rahn, Aye
Lieutenant Juan Villanueva, Aye
Ms. Sue Cox, Aye
Mr. Bob Sfreddo, Aye

Being fully informed relative to this disability case, the Board confirmed termination benefits for the above referenced case.

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Appeal of Termination of Long-Term Disability LTD = Long-Term Disability

Case No. 2003-LTD(15)

After review and discussion, a motion was made by Mr. Anderson and seconded by Lieutenant Villanueva, that the denial of LTD benefits be upheld. The following vote was taken:

Mr. Duane Michie, Aye
Mr. Mike Kehoe, Aye
Mr. James B. Anderson, Aye
Senator John Griesheimer, Aye
Colonel Jim Keathley, Aye
Mr. Pete Rahn, Aye
Lieutenant Juan Villanueva, Aye
Ms. Sue Cox, Aye
Mr. Bob Sfreddo, Aye

Being fully informed relative to this disability case, the Board confirmed termination benefits for the above referenced case.

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PERSONNEL ISSUES

Performance Measures for Executive Director

Mr. Anderson asked about the progress of performance measures for the Executive Director. Mr. Rahn reported no action has been taken on this issue and requested the Executive Director set up a meeting for the committee.

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A motion to return to Open Session was made by Ms. Cox and seconded by Lieutenant Villanueva. Motion carried.

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ADJOURN

A motion to Adjourn was made by Senator Griesheimer and seconded by Mr. Kehoe. By unanimous vote of all members present, the meeting of the Board of Trustees was adjourned.