

Minutes of Meeting

September 28, 2017





TABLE OF CONTENTS

Vote to Close Meeting	2
Report from Closed Session	2
Approval of Minutes	2
Consent Agenda	2
Investment Committee Report.....	3
CIO Investment Report	
Fiscal Year 2017 Investment Performance Report	3
Current Asset Allocation Overview/Positioning Relative to Targets	3
Annual Actuarial Valuation – June 30, 2017	4
Audit Committee Report	
Audit Entrance Meeting with Williams-Keepers	5
Governance Committee Report	
Revision to Board Rule 5-3	5
Additional Board Rule	6
Workplace Possibilities Program.....	6
Director’s Comments	
Buyout Update	6
Security Issue	6
Media Reports	7
New Website for Trustee Login	7
November Board Workshop.....	7
Trustees’ Comments	7
Report on Trustee Education - FY2018	7
Membership Information	
Benefit Payments and Member Data – August 2017	7
Retirement Inceptions (FY) – July 2017 through August 2017	7
Adjourn	



BOARD OF TRUSTEES' MEETING

THURSDAY, SEPTEMBER 28, 2017

1:00 p.m.

Closed Session (11:30-12:30)

**1913 William Street
Jefferson City, Missouri**

TRUSTEES PRESENT: Ms. Sue W. Cox, Chair
Mr. William "Bill" Seibert, Vice Chair
Mr. John Briscoe
Sergeant Matthew Broniec
Colonel Sandy Karsten
Mr. Mike Pace (via phone)
Representative Shawn Rhoads (via phone)
Mr. Gregg Smith
Mr. Todd Tyler

TRUSTEES ABSENT: Mr. Patrick McKenna
Senator Dave Schatz

STAFF PRESENT: Mr. Scott Simon, Executive Director
Mr. Greg Beck, Assistant Executive Director
Mr. Larry Krummen, Chief Investment Officer
Ms. Greta Bassett-Seymour, General Counsel
Ms. Jennifer Even, Chief Financial Officer
Ms. Lois Wankum, Executive Assistant II

GUESTS/PRESENTERS: Mr. Kevin Leonard, NEPC (via video-conferencing)
Mr. Will Forde, NEPC (via video-conferencing)
Mr. Ken Alberts, GRS
Mr. Mike Winter, Legislative Consultant

A regularly scheduled meeting of the Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS) was held on Thursday, September 28, 2017, at the System's office located at 1913 William Street in Jefferson City, Missouri. The meeting was called to order by Ms. Sue Cox pursuant to Section 104.180 of the Revised Statutes of Missouri, as amended.

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VOTE TO CLOSE MEETING

The Board voted to close its meeting on September 28, 2017, citing Sections 610.021(3) and (13), RSMo., *Personnel administration regarding particular employees*. Upon a motion made by Colonel Karsten and seconded by Mr. Tyler to convene in closed session, the following roll call vote was taken:

- Ms. Sue W. Cox, Aye
- Mr. William "Bill" Seibert, Aye
- Mr. John Briscoe, Aye
- Sergeant Matthew Broniec, Aye
- Colonel Sandy Karsten, Aye
- Mr. Mike Pace, Aye
- Representative Shawn Rhoads, Aye
- Mr. Gregg Smith, Aye
- Mr. Todd Tyler, Aye

A motion to return to Open Session was made by Mr. Seibert and seconded by Mr. Smith. By unanimous vote of all Trustees present, the Board of Trustees returned to Open Session.

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OPEN MEETING

REPORT FROM CLOSED SESSION

~ presented by Sue W Cox, Board Chair

• Personnel Issues

As a result of the Executive Director's performance evaluation, the Board is pleased with Scott's performance and approved to adjust the Executive Director's compensation effective October 1, 2017.

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APPROVAL OF MINUTES

Upon a motion by Mr. Briscoe, and seconded by Mr. Smith, the Board of Trustees (Trustees) unanimously approved the minutes of the meeting held on June 23, 2017.

The Chair 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

To make the most efficient use of Retirement Board meeting time and to ensure the Trustees are well informed on issues requiring their action, the Executive Director prepares in advance and submits to the Trustees, items consisting of advice, opinions, and recommendations related to subjects on the Board meeting agenda. Items considered by 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 Trustee. Items not removed from the consent agenda are approved with a single motion and a unanimous vote by a quorum of the Trustees in attendance.

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

No items were removed from the consent agenda. Upon a motion by Mr. Briscoe and seconded by Colonel Karsten, all items on the consent agenda were unanimously approved.

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INVESTMENT COMMITTEE REPORT

A report from Investment Committee was not provided because their meeting was cancelled.

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CIO INVESTMENT REPORT

– by Mr. Larry Krummen (MPERS), Mr. Kevin Leonard & Mr. Will Forde (NEPC)

- **Fiscal Year 2017 Investment Performance Report**

Mr. Larry Krummen, Mr. Kevin Leonard and Mr. Will Forde provided a report on MPERS’ investment performance for the quarter ending June 30, 2017.

As of June 30, 2017, MPERS’ fund value was \$2.2 billion. MPERS’ fiscal year 2017 return (July 1, 2016 through June 30, 2017) was 11.2%, assisted by the strength of the equity market. Off to a good start, MPERS’ portfolio generated a 1.8% return for the first quarter of the new fiscal year (from July 1st to September 19th). MPERS’ three, five and ten-year returns rank in the top 5th 6th and 43rd percentile of the public fund peer universe.

- **Current Asset Allocation Overview/Positioning Relative to Targets**

Mr. Krummen stated there has been little change in MPERS’ asset allocation since the last Board meeting on June 30th. MPERS continues to maintain a slight overweight to the equity markets based on strong market momentum and signs of improved economic growth in international markets. We are still concerned over market valuations, but for now the markets are very resilient and, barring any geopolitical events (i.e., North Korea), seem destined to trade higher over the near term. The largest deviation from the targeted asset allocation is the underweight to fixed income, given the historically low interest rate environment, an economy that continues to show signs of growth, and a Federal Reserve that continues to raise the Federal Funds Rate.

As of September 19, 2017, each of the respective asset class allocations are within the permissible ranges, and MPERS’ cash balance stands at \$30.8 million (1.4% of assets).

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ANNUAL ACTUARIAL VALUATION – JUNE 30, 2017

– by Mr. Ken Alberts and Ms. Heidi Barry of Gabriel, Roeder, Smith & Company (GRS)

Mr. Ken Alberts of Gabriel, Roeder, Smith & Company (GRS), the actuarial firm retained by the retirement system, discussed with the Board of Trustees the actuarial valuation results, which were previously furnished for the Board's review and consideration.

The annual actuarial valuation is designed to measure the overall financial condition of the retirement system. During FY2017, the funding status of MPERS increased from 55.5% to 57.1%. The funded status has continued to increase steadily from its lowest point six years ago when it was 42.2%. The funded status represents the level of assets available to pay the benefits that have been earned. MPERS' status is showing progress; however, it is still well below the overall funding objective of 100%. The actuary affirmed that MPERS has the appropriate funding policies in place to achieve that objective.

The annual valuation also provides the basis for determining employer contribution rates for the next fiscal year, which must be certified by the Board to the employers (MoDOT and MSHP) by October 1. The contribution rate, as approved by the Board, for fiscal year 2019 will remain at 58% of payroll. The combined contribution rate is comprised as illustrated in the following table.

FY2019 Employer Contribution Rates Expressed as % Active Payroll for Total Benefits	
Benefit Normal Cost	11.46%
Expenses	1.21%
Disability Insurance	<u>.53%</u>
Total Normal Cost	13.20%
Unfunded Liability	<u>44.80%</u>
Total	58.00%

The normal cost is the real cost of benefits. This contrasts with the unfunded liability, which is the “catch up” payment for those benefits that were not properly funded by either contributions or investment returns in the past.

Mr. Alberts recommended the contribution rate, effective July 1, 2018 (for FY2019), to remain at 58.00% of pay for both non-uniformed members and uniformed members.

The Executive Director concurred with the actuary's recommendation. Mr. Smith made a motion to approve the recommendation. Mr. Seibert seconded. The following vote was taken:

- Ms. Sue W. Cox, Aye
- Mr. William “Bill” Seibert, Aye
- Mr. John Briscoe, Aye
- Sergeant Matthew Broniec, Aye
- Colonel Sandy Karsten, Aye
- Mr. Mike Pace, Aye
- Representative Shawn Rhoads, Aye
- Mr. Gregg Smith, Aye
- Mr. Todd Tyler, Aye

Motion carried. The rates for FY2019 will remain the same as FY2018 as shown below:

	<u>FY2018 Rate</u>	<u>FY2019 Rate</u>
MoDOT & Civilian Patrol	58.00%	58.00%
Uniformed Patrol	58.00%	58.00%

Mr. Alberts also recommended the economic assumptions be reviewed annually each spring before the next valuation cycle begins. Mr. Simon stated this item will be added to the Board calendar.

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AUDIT COMMITTEE REPORT

- **Audit Entrance Meeting with Williams-Keepers**

Mr. Seibert reported the Audit Committee met with the external auditor, Williams-Keepers, on August 2, 2017. The auditor explained to the committee the process they would follow during the annual audit and stated they did not anticipate any issues this year. The auditor stated a final report would be available in November for the Audit Committee and Board to review.

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GOVERNANCE COMMITTEE REPORT

- **Revision to Board Rule 5-3**

Mr. Tyler reported the Governance Committee met on August 31, 2017 to discuss modifications to the Board Rules. The first change was to Board Rule 5-3, Reemployment of Member. The change is intended to provide more structured detail to the administrative process of reemploying a 2011 Tier member who returns to work after taking a refund of contributions (specifically, how those contributions are to be repaid and credited to the member if they intend to restore that service). The revised rule is shown below.

Chapter 5: 2011 Tier

5-3 Reemployment of Member

Pursuant to Section 104.1091.8(6), RSMo., a member who previously forfeited credited service upon termination of employment and accepted a refund of member contributions, who again becomes a member of the System, such forfeited credited service shall be restored if the member returns to the System the amount previously refunded plus additional interest as established by the Board* as of the date the restoration is calculated. Such additional interest shall be calculated from the date of the refund to the date on which the restoration cost is calculated through the date it will be paid in full. Such restored service shall be paid in full via a process stipulated by the System, within a period not to exceed 24 months, and prior to the application for retirement. Full restoration cost shall be credited to the member's account.

*Additional interest shall be the amount of interest paid with a rate derived from the current actuarially assumed rate of return, expressed as a percentage.

Mr. Tyler made a motion to accept the changes as recommended. Mr. Seibert seconded the motion. By unanimous vote of all members present, the motion carried.

- **Additional Board Rule**

Mr. Tyler indicated Mr. Simon recommended the Governance Committee add a new rule regarding the process of determining whether an active employee's death is duty-related. Subsequent to the committee's meeting, a slight modification was needed to address an oversight in the proposed rule. The approved rule with the slight modification (eliminating the reference to a coroner) was presented to the full Board for adoption. Upon further discussion, the Board decided not to adopt the proposed rule.

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WORKPLACE POSSIBILITIES PROGRAM

– by Mr. Jamie Mullen, MPERS' Senior Benefits Specialist

Mr. Jamie Mullen, MPERS' Senior Benefits Specialist, presented to the Board the Workplace Possibilities Program administered by the System's long-term disability carrier, The Standard. The program is designed to provide assistance to those individuals struggling at their workplace because of a medical condition. The program helps employees remain at work with an accommodation provided as an insurance benefit. At the request of the employee, a consultant sent by the insurance company meets with the employee and the employer, assesses the medical condition as well as the work environment and responsibilities, then provides an accommodation, in the form of a device such as a sit/stand workstation, lifting device or a specialized shoe, etc. The hope is that the individual will be able to remain at work rather than filing a claim for disability.

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DIRECTOR'S COMMENTS

- **Buyout Update**

Mr. Simon reported that all letters have been sent to vested former members offering a voluntary one-time lump sum distribution payable now instead of monthly installments payable at a future date. Approximately 2,100 forms were mailed and 75 election forms have been received from the eligible members. Member have until November 30, 2017 to submit their paperwork. The letter informed the member the current buyout amount and it also included the date they are first eligible to retire and what their monthly payment would be at that time if they do not take the buyout before November 30, 2017. Payments will begin in January 2018. The amount of money assessed to those who have submitted paperwork will be provided at a later date.

MPERS also reached out to members who had service with MPERS, but not enough service to be vested. The letter informed them that since they are currently vested with MOSERS, they could transfer their time to increase their vested benefit at MOSERS.

- **Security Issue**

Mr. Simon stated there was nothing new to report regarding the recent security issue referred to as a "social engineering" matter not a "hack" of MPERS' website. Mr. Simon stated he along with other staff members are working with consultants to strengthen the website.

- **Media Reports**

Mr. Simon stated the Joint Committee on Public Employee Retirement held its quarterly meeting on September 13, 2017 where the state treasurer attended and reported a “pension crisis”. Mr. Simon wanted the Board to be aware of the discussion because of all the reporting from the news media.

- **New Website for Trustee Login**

Mr. Simon informed the Board a new website will be debuted for the Trustee login sometime in November.

- **November Board Workshop**

The November Board Educational Workshop and Board Meeting will be held on November 16th at Meadow Lake Acres Country Club in New Bloomfield, Missouri.

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TRUSTEES’ COMMENTS

None.

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REPORT ON TRUSTEE EDUCATION – FY2018 *(Consent Agenda)*

Per the Monitoring and Reporting Policy, the Board was provided with the “*Report on Trustee Education*” for FY2018. Via approval of the consent agenda, the Board unanimously accepted the report.

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MEMBERSHIP INFORMATION *(Consent Agenda)*

- **Benefit Payments and Member Data – August 2017**

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

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RETIREMENT INCEPTIONS *(Consent Agenda)*

The Executive Director provided the Board with a summary of retirement inceptions for the months of July 2017 through August 2017. Via approval of the consent agenda, the Board unanimously accepted the report.

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ADJOURN

A motion to adjourn was made by Mr. Briscoe and seconded by Mr. Smith. By unanimous vote of all Trustees present, the meeting of the Board of Trustees was adjourned.

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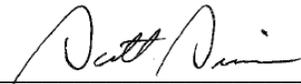
CERTIFICATION

We, Sue W. Cox, Board Chair, and Scott Simon, Executive Director, Board of Trustees, MoDOT & Patrol Employees' Retirement System, hereby certify that the foregoing are full, true, and complete minutes of the meeting of the Board held on September 28, 2017 in Jefferson City, Missouri, as approved by said Board at its meeting held November 16, 2017.

IN TESTIMONY WHEREOF, we have hereto set our hands and affixed the seal of said Board on November 16, 2017.



Chairman



Executive Director