

Minutes of Meeting

September 24, 2015





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| Adjourn | |



BOARD OF TRUSTEES' MEETING

THURSDAY, SEPTEMBER 24, 2015

1:00 p.m.

**1913 William Street
Jefferson City, Missouri**

TRUSTEES PRESENT: Mr. Lloyd "Joe" Carmichael, Chair
Colonel J. Bret Johnson, Vice Chair
Ms. Sue W. Cox
Mr. Mike Pace
Representative Shawn Rhoads
Senator Dave Schatz (via phone)
Mr. William "Bill" Seibert
Major Kemp Shoun
Mr. Todd Tyler

TRUSTEES ABSENT: Ms. Roberta Broecker

STAFF PRESENT: Mr. Scott Simon, Executive Director
Ms. Pam Henry, 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

GUESTS/PRESENTERS: Mr. Kevin Leonard, NEPC
Mr. Will Forde, NEPC
Mr. Ken Alberts, GRS
Ms. Heidi Barry, GRS
Mr. Mike Winter, Legislative Consultant
Mr. Dave Nichols, Retired Board Member
Mr. Ron Replogle, Retired Board Member

A regularly scheduled meeting of the Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS) was held on Thursday, September 24, 2015, at the System's office located at 1913 William Street in Jefferson City, Missouri. The meeting was called to order by Mr. Carmichael 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 24, 2015, citing Section 610.021(3), (13), RSMo. *Personnel administration regarding particular employees*. Upon a motion made by Mr. Pace and seconded by Mr. Seibert to convene in closed session, the following roll call vote was taken:

Mr. Lloyd "Joe" Carmichael, Aye
Colonel J. Bret Johnson, Aye
Ms. Sue W. Cox, Aye
Mr. Mike Pace, Aye
Representative Shawn Rhoads, Aye
Senator Dave Schatz, Aye
Mr. Bill Seibert, Aye
Major Kemp Shoun, Aye
Mr. Todd Tyler, Aye

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

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REPORT FROM CLOSED SESSION

~ presented by Mr. Joe Carmichael, Board Chair

- **Personnel Issues**

As a result of the Executive Director's performance evaluation, the Board approved to adjust the Executive Director's compensation effective October 1, 2015.

OPEN MEETING

APPROVAL OF MINUTES

Upon a motion by Colonel Johnson, and seconded by Mr. Tyler, the Board of Trustees (Trustees) unanimously approved the minutes of the meeting held on June 18, 2015.

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 Ms. Cox, and seconded by Mr. Tyler, all items on the consent agenda were unanimously approved.

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**EXPRESSION OF THANKS TO
COLONEL RON REPLOGLE AND MR. DAVE NICHOLS
FOR THEIR SERVICE TO THE BOARD OF TRUSTEES**

At the June 18, 2015 Board meeting, the Board expressed appreciation to past Board members for their service on the MPERS Board. Colonel Ron Replogle and Mr. Dave Nichols were unable to be present at the June meeting. Both Colonel Replogle and Mr. Nichols were able to attend the September 24, 2015 meeting so the Board could personally thank them for their dedication and service to the MPERS Board of Trustees.

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INVESTMENT COMMITTEE REPORT

– by Colonel J. Bret Johnson, Investment Committee Chair

• **FY2015 Investment Performance**

Mr. Kevin Leonard and Mr. Will Forde provided an overview of the 2015 fiscal year investment performance. The System finished the year with a 6.61% return, well above the benchmark return of 5.20% and peer median return of 2.82%. MPERS’ investment performance ranks in the top 6% of the NEPC peer universe across all timeframes in the last ten years.

• **Timber Update/Proposal**

Mr. Larry Krummen proposed a timber allocation using a new investment structure as a complement and diversifier to our existing real assets portfolio. Mr. Krummen and Mr. Mark White, Head of Real Assets from Albourne, will provide a more thorough analysis and implementation plan at the November Board workshop.

• **Management Fee Analysis**

Ms. Tinisha Eickhoff and Mr. Kevin Leonard provided a management fee analysis to the Board. The key points of the presentation were that there is a lot of media attention about disclosure of management and incentive fees paid to investment managers from public pension plans. MPERS’ total fees associated with fiscal year 2015 was 1.08% of assets as shown in the Comprehensive Annual Financial Report and 2.08% of assets, inclusive of Grove Street’s underlying fee estimates, which is reasonable considering the System’s asset allocation.

- **Anti-Terrorism Policy**

Mr. Larry Krumpfen provided an update of MPERS' Anti-Terrorism Policy reporting that MPERS has a policy in place that is designed to monitor lists provided by the Federal Government for publically traded companies that may support terrorism, while not punishing companies that have international operations.

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CIO INVESTMENT REPORT

– by Mr. Larry Krumpfen, MPERS' Chief Investment Officer

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

As of June 9, 2015, each of MPERS' sub-asset class allocations are within the acceptable ranges established by the investment policy.

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ANNUAL ACTUARIAL VALUATION – JUNE 30, 2015

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

Mr. Ken Alberts and Ms. Heidi Barry 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.

Mr. Alberts recommended, in conjunction with approved funding policies, implementing a contribution rate, effective July 1, 2016 (for FY 2017), of 58.00% of pay for both non-uniformed members and uniformed members.

The Executive Director concurred with the actuary's recommendation. Mr. Pace motioned to approve the recommended contribution rates. Major Shoun seconded.

The following vote was taken:

- Mr. Lloyd "Joe" Carmichael, Aye
- Colonel J. Bret Johnson, Aye
- Ms. Sue W. Cox, Aye
- Mr. Mike Pace, Aye
- Representative Shawn Rhoads, Aye
- Senator Dave Schatz, Aye
- Mr. Bill Seibert, Aye
- Major Kemp Shoun, Aye
- Mr. Todd Tyler, Aye

Motion carried. The rates for FY2016 and FY2017 are shown below.

| | <u>FY2016 Rate</u> | <u>FY2017 Rate</u> |
|-------------------------|--------------------|--------------------|
| MoDOT & Civilian Patrol | 58.05% | 58.00% |
| Uniformed Patrol | 57.76% | 58.00% |

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BOARD MEETING DATES REVISITED

– by Mr. Joe Carmichael, MPERS' Board Chair

Mr. Carmichael stated Ms. Mary E. Nelson was appointed to the Missouri Highway and Transportation Commission (MHTC) on July 13, 2015. The Commissioners are contemplating placing Ms. Nelson on the MPERS Board of Trustees. Since that time, Ms. Nelson has recognized that the MPERS Board of Trustee schedule is similar the schedule of another Board she currently serves.

MPERS' meeting schedule was discussed. MPERS' actuary indicated it is a struggle to complete the annual valuation on time, and if the date is moved, it would be more of a struggle. Mr. Larry Krummen, MPERS' CIO, stated to get quarterly performance results, the meeting would need to be six weeks after the end of a quarter. After much discussion, no changes were made to the current schedule.

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DIRECTOR'S COMMENTS

- **2015 Audit Report**

Ms. Jennifer Even, MPERS' Chief Financial Officer, stated she is working with Williams-Keepers on the June 30, 2015 audit. The preliminary review has been completed. The Audit Report will be presented to the Board at the November 19, 2015 meeting.

- **Legal Matter**

Ms. Greta Bassett-Seymour stated Board Rule 1-2, regarding appeals to the Board, requires the Board report the outcome of any appeals in open session. At the last meeting, the Board voted unanimously to affirm the decision where the Executive Director denied the appeal of a survivor regarding a benefit the survivor was not entitled to receive. The appellant was notified under the requirements of this Board Rule and the name of the appellant is to remain confidential.

- **Audit and Actuarial RFPs**

Mr. Scott Simon stated RFPs will be mailed in the coming month for both Actuarial and Audit services. The Audit Committee will be called upon to review and make recommendations to the Board at the November Board meeting. The Committee will also review the Audit Committee Charter to review compliance.

- **Policies**

Mr. Simon indicated several policies need to be reviewed and the Governance Committee will meet and make recommendations to the Board in the next several months.

- **Presentation to the Troopers' Association**

Mr. Scott Simon and Mr. Jamie Mullen, MPERS' Benefit Specialist, will make a presentation on MPERS' disability benefits to the Troopers' Association at their conference being held at Lake Ozark, MO on Saturday, September 26, 2015.

- **Service Accrual Audit**

At the last Board meeting, Mr. Todd Tyler requested a progress update on the service accrual audit project. Mr. Simon indicated the methodology on how MPERS allows members to accrue service resulted in a material workload for MPERS' staff. There were more than 31,000 files to be audited to assure the records are accurate. MPERS' staff has reviewed a majority of those files and there are approximately 7,600 files remaining to be audited.

- **60th Anniversary/Website Review**

Ms. Pam Henry stated the Website Committee is working on changing the design of MPERS' website and decided this would be an ideal time for a new logo to coincide with MPERS' 60th anniversary. Ms. Henry presented the new website to the Trustees and stated it will support access on mobile devices and be more user friendly.

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TRUSTEE'S COMMENTS

None.

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REPORT ON TRUSTEE EDUCATION – FY2016 *(Consent Agenda)*

Per the Monitoring and Reporting Policy, the Board was provided with the "Report on Trustee Education" for FY2016. Via approval of the consent agenda, the Board unanimously accepted the report.

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REPORT OF PRELIMINARY FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015 *(Consent Agenda)*

The Board viewed the financial statements of the System showing total investments (on an accrual basis) at market value of \$1,991,396,398 as of June 30, 2015. This is an increase of \$10.2 million from the value of 1,981,177,358 as of March 31, 2015.

Via approval of the consent agenda, the Board unanimously accepted the reports and directed that they be filed in the office of the Executive Director.

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MEMBERSHIP INFORMATION *(Consent Agenda)*

- **Benefit Payments and Member Data – August 2015**

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 2015 and August 2015. Via approval of the consent agenda, the Board unanimously accepted the report.

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VOTE TO CLOSE MEETING

The Board voted to close its meeting on September 24, 2015, citing Section 610.021(1), (14) and 610.010(6), RSMo. *Attorney Client Privileged Communications and Records Protected From Disclosure By Law and Competitive Bidding specs, sealed bids, or negotiated contracts.* Upon a motion made by Mr. Seibert and seconded by Mr. Pace to convene in closed session, the following roll call vote was taken:

Mr. Lloyd "Joe" Carmichael, Aye
Colonel J. Bret Johnson, Aye
Ms. Sue W. Cox, Aye
Mr. Mike Pace, Aye
Representative Shawn Rhoads, Aye
Senator Dave Schatz, Aye
Mr. Bill Seibert, Aye
Major Kemp Shoun, Aye
Mr. Todd Tyler, Aye

A motion to return to Open Session was made by Colonel Johnson and seconded by Mr. Pace. Motion carried.

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ADJOURN

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