



The Board has delegated to the Executive Director responsibility for the operational management of the System consistent with Chapter 104 of the Missouri Revised Statutes (RSMo.), the policies of the Board, and the Board's delegations of authority.

The Executive Director will provide leadership for the System's management and staff in implementing the programs necessary to achieve the mission and long-term objectives established by the Board. The Executive Director will manage the day-to-day affairs of the System in accordance with applicable legislation and the policies established by the Board.

The Executive Director may delegate the duties described herein to senior staff in order to ensure maximum effectiveness in the System's operations, proper supervision, and separation of duties. Notwithstanding any such delegation, the Executive Director shall remain ultimately accountable to the Board for the operations of the System, including both the investment and administration functions.

#### Legal Responsibilities

The Executive Director of MPERS has certain responsibilities set forth in Missouri State law and also implied authority to take the necessary steps for the prudent management of the System.

Pursuant to law, the Executive Director shall:

1. Have charge of the offices and records (RSMo. 104.170.2)
2. Shall hire such employees that the executive director deems necessary subject to the direction of the Board. (RSMo. 104.170.2)
3. Execute all documents including contracts necessary to carry out any and all actions of the Board (RSMo. 104.170.2)
4. Be responsible for all funds, securities, and property belonging to the system, and shall give such corporate surety bond for the faithful handling of the same as the Board shall require. (RSMo. 104.150.2)

Furthermore, all moneys received by or belonging to the System shall be paid to the executive director and deposited to the credit of the system in one or more banks or trust companies. (RSMo. 104.150.2)

The Executive Director shall assist the Board in meeting its legislative requirements (see Board Charter for a summary of these).

#### Administrative and Operational Responsibilities

The Executive Director is a fiduciary to the System and is responsible for administering the operations of the System under broad policy guidance and direction from the Board. Such administrative responsibility shall include:

1. Recommend to the Board:
  - a. MPERS' mission, vision, core values, and goals consistent with the law;
  - b. board policies and procedures to ensure that business is conducted in an ethical manner;

- c. governance policies and practices to enable the Board to operate in the most effective and efficient way;
  - d. A sufficient administrative budget, and report to the Board on compliance with the budget, including the flexibility to exceed the proposed budget by no more than two percent each fiscal year for purposes other than salary and benefits, and in the event of such an occurrence, prompt notification shall be provided to the Board<sup>1</sup>;
  - e. A funding policy with necessary contribution rates to keep the System actuarially sound;
2. Coordinate effective strategic and annual planning for the organization;
  3. Assist the Board in the search, selection, negotiation and evaluation of necessary outside service providers (e.g., actuaries, investment consultants, and legal counsel) to support the operation of the System;
  4. Provide necessary information to the actuary and auditor as required;
  5. Review the actuarial assumptions and methodologies recommended by the Plan actuary, and advise the Board;
  6. Establish appropriate internal controls;
  7. Monitor legislation and external factors that impact the System, and advise the Board on their impact as requested; and
  8. Verify that the System's statutory requirements (listed below) are completed as required:
    - a. Specify the date when annual increase in benefits shall be paid (RSMo. 104.;103.6)
    - b. Determine how much credited service to be given employees (RSMo. 104.1021)
    - c. Establish the manner and form of applying for additional credited service (RSMo. 104.1090)

With respect to the Investment Program, the Executive Director, with assistance of MPERS staff shall:

1. Recommend a Statement of Investment Policy consistent with statutory requirements and current best industry practices;
2. Monitor the performance of the investment portfolio;
3. Ensure that funds are invested in accordance with Board policies;
4. Inform the Board of investment issues as necessary; and
5. Study, recommend and implement policy and operational procedures that will enhance the investment program.

The Executive Director must agree in writing to all hiring and termination decisions prior to the execution or cancellation of a contract with external asset managers and service providers. In fulfilling these investment responsibilities, the Executive Director relies heavily on the Chief Investment Officer and General/Specialty Consultant(s).

### **DELEGATION OF AUTHORITY – REQUIREMENTS AND LIMITATIONS**

Pursuant to its authority to delegate functions to employees of the system under section 104.1069, RSMo, the Board hereby delegates the responsibility of implementing its Investment Policy and managing the MPERS investment program to the Executive Director. In carrying out this authority, the Executive Director:

1. Must comply with the fiduciary requirements, conditions, and limitations described in Chapter 104, RSMo, and sections 105.687 to 105.689, RSMo.
2. Will ensure that the assets of the system are invested in a manner that is consistent with the asset allocation mix and any strategic (within class) allocation ranges of the portfolio as approved by the Board and set forth in the Investment Policy.

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<sup>1</sup> Revised November 17, 2016.

3. Has authority to approve and execute documents on behalf of the Board.
4. Will ensure that the CIO and Consultant:
  - a. Perform an asset allocation/liability study at least every 5 years and will report the results of that study to the Board.
  - b. Evaluate the asset allocation mix and any strategic (with-in class) allocations of the portfolio annually, and have the CIO report the results of that evaluation to the Board.
  - c. Provide quarterly investment performance reports to the Board that show performance of the total fund and all underlying asset classes based on the benchmarks set forth in the Investment Policy.
5. Will ensure that outside service providers are hired only by the unanimous consent, in writing, of the CIO, the Consultant (General or Specialty), and the Executive Director, and will ensure that the proposed hiring is in compliance with the Board's Investment Policy. Outside service providers include securities lending managers, specialty consultants, the master custodian, and external money managers including, but not limited to, external money managers who may be structured as a public or private entity in the form of a partnership, limited liability company, trust, separately managed account, commingled account, or some other operational structure in which assets may be held by an external custodian selected and monitored by the external manager.

When selecting external service providers, the CIO and Consultant shall follow a thorough review process with established selection criteria. Within 72 hours of a hiring decision, the CIO or Consultant must provide documentation to the Board regarding the decision-making process, expectations, and rationale behind the decision.

6. Will ensure that the termination of an investment manager or external service provider as described in paragraph 4 occurs only by the unanimous consent, in writing, of the CIO, the Consultant (General or Specialized), and the Executive Director, and will ensure that the proposed termination is in compliance with the Board's Investment Policy. In the event of termination, the underlying reason for the proposed termination action must be documented and shared with the Board within 72 hours.
7. Will ensure all governing documents with outside service providers are reviewed by legal counsel prior to execution.
8. Will not permit the CIO to manage assets internally unless prior approval from the Board has been received.
9. Will require the CIO to develop and implement a rebalancing policy whereby the CIO will monitor and comply with the broad asset allocation using cost efficient methods.
10. Will not:
  - a. Allow the CIO to exceed 20% leverage at the total fund level. Leverage in this context is defined as financial leverage, which is associated with the use of derivatives, synthetic securities, and financing arrangements to manage total fund exposure.<sup>2</sup>
  - b. Allow the CIO to use derivative securities and synthetic products including futures, options, swaps, and forward contracts (and/or combinations of these instruments), and pooled, mutual or segregated funds

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<sup>2</sup> Revised June 18, 2020.

that employ derivative and synthetic products except where a specific external service provider has been given written authorization to use derivative securities and synthetic products by the Executive Director, CIO, and the Consultant, subject to written guidelines describing their use within the manager's IMA.

- c. Allow the CIO to engage in short sales in the fund except where a specific external service provider has been given written authorization to engage in short sales by the Executive Director, CIO, and the Consultant, subject to written guidelines describing their use within the manager's governing IMA.
11. Will not make investments that are economically or socially targeted (ETIs or STIs). For purposes of definition, ETIs or STIs are investments that are selected for the economic and social benefits they create in addition to the investment return to the employee benefit plan investor. The following criteria, applicable to any investment, will also be applied to investments that might be classified as ETIs or STIs:
- The fiduciary principles of prudence and exclusive interest of participants will not be abrogated or modified in order to increase the attractiveness of ETIs or STIs.
  - There will be no concession on rate of return. This means there will be no hidden subsidies and that the classic "efficient frontier" test is applicable: a commensurate unit of return will be received for each unit of risk incurred.
  - All participation should be voluntary on the part of the System and should not stem from a legal or policy mandate.
  - Each ETI or STI will be evaluated using an integral, objective process -- that is, each will be meticulously analyzed solely on its own risk/return characteristics. No weight will be given to redeeming social interests.
  - The System will participate only if at least one other comparable investor is participating.
  - When evaluating an investment, appropriate consideration must be given to the role that the investment or investment course of action plays (in terms of diversification, liquidity, risk and return) with respect to the entire investment portfolio of the System. Consideration should also be given to alternative investments with similar risks available to the System. The Board believes this set of investment criteria is in full compliance with Section 105.688. RSMo.
12. Will comply with a sunshine law information request except to the extent the Executive Director or CIO, with advice of legal counsel, determines that such request requires the release of information that constitutes a closed record pursuant to section 104.1069, RSMo, or any other provision under state law. The Board recognizes that the Executive Director and the CIO must make decisions with regard to the release of investment records that are timely and consistent so as to not jeopardize the system's ability to implement an investment decision or to achieve an investment objective.
13. Will establish policies for securities lending and proxy voting that ensure that the interests of the system are adequately protected.

In the event any of these requirements are violated, it is the responsibility of the Executive Director and/or the CIO and/or the Consultant to report the violation or exception to the Board in a timely fashion along with a detailed explanation of the violation and action being proposed or taken to remedy the situation.