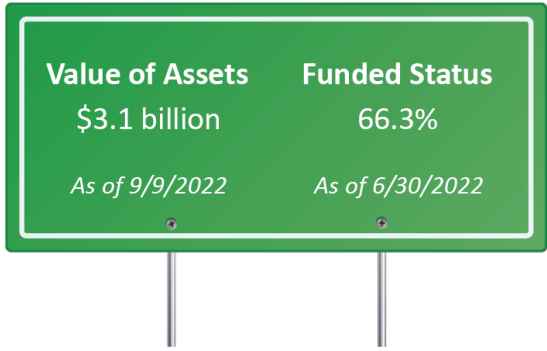




Board Meeting Summary

September 22, 2022
10:30 a.m.



Approval of Board Meeting Minutes

The Board approved the minutes of the June 16 and August 16, 2022 meetings. These minutes, as well as those from prior meetings, can be found on MPERS' **website**. Minutes from the current meeting will be posted after they are adopted at the Board's next regular meeting.

Annual Actuarial Valuation

Presenters: Ken Alberts, Heidi Barry, and Jamal Adora (GRS)

Representatives from MPERS' actuary, GRS, presented the annual actuarial valuation. The annual actuarial valuation is designed to measure the overall financial condition of the retirement system. During Fiscal Year 2022, MPERS' funded status rose to 66.3% from 62.4%. This is the largest single-year increase in more than 20 years. The funded status has continued to increase steadily from its lowest point 12 years ago when it was 42.22%. The funded status represents the level of assets available to pay the benefits. MPERS' funded status continues to show progress; however, it is still well below the overall funding objective of 100%. The actuary once again commended the Board for having the appropriate funding policies in place to achieve that objective but recommended a review of those policies before the next valuation to consider what has happened in the economy as a result of the recent pandemic and continued economic instability. GRS will begin the next five-year experience study shortly.

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 2024 will be 58.00% of payroll for both the non-uniformed group (MoDOT and the non-uniformed portion of the Highway Patrol) and the uniformed group. The contribution rate is comprised of the factors noted below.

FY 24 Employer Contribution Rates Expressed as a Percent of Active Payroll for Total Benefits		
	Non-Uniformed Employees	Uniformed Patrol
Normal Cost	9.08%	16.74%
Expenses	1.38%	1.38%
Unfunded Liability	47.065%	39.405%
Disability Insurance	0.475%	0.475%
Total	58.00%	58.00%

The Board certified the contribution rates for Fiscal Year 2024 in accordance with statutory requirements.

Vital Signs

Presenter: Scott Simon, Executive Director (MPERS)

Mr. Simon reported to the Board that all vital signs of the System, except for two were “green,” or without concern. The first exception was the unfunded retiree liability, which will not be “green” until it is fully funded. This measure is very close to 100% at this time. The second exception was the overall investment return falling below the actuarial assumption of 6.5%. This is the second full report of MPERS’ vital signs and is a result of the governance project recommendations of Funston Advisory Services, the project consultant. The vital signs are intended to provide a better line of sight for MPERS’ oversight Board and be a quick reference to see how things are functioning within the organization.

Investment Committee Report

Presenter: Col. Eric Olson, Investment Committee Chair

At a meeting of the Investment Committee on September 22, 2022, the Board’s investment consultant, NEPC, presented a number of important topics, including detailed information about MPERS’ investment performance for the last fiscal year, current liquidity analysis (i.e., whether the fund has adequate liquid assets to pay expenses and benefits), private markets pacing plan (which ties to liquidity and projected commitments to private market asset classes in the coming years), the semi-annual internal fixed income review, and a management fee analysis (fees are appropriate based on the approved asset allocation). All the Investment Committee topics are required by policy to be reported annually or semi-annually.

Investment Performance

Presenters: Larry Krummen, Chief Investment Officer (MPERS) and Michael Miranda (NEPC)

During a year when the median public fund lost 10.5% of value, MPERS’ diversified portfolio was able to generate a positive 3.94% return in Fiscal Year 2022. That return ranked in the top 1% of the peer universe and outperformed the policy benchmark return by 8.29%.

MPERS’ three-year return of 10.61% remains well above the actuarial assumption of 6.5% which has helped pushed the System’s funded status to 66.3%. Given MPERS’ accelerated funding policy, the System is well-positioned for continued growth in the funded status over the coming years.

MPERS’ returns are the strongest they have ever been relative to peers and the policy benchmark. **MPERS’ one-, three-, five-, and ten-year returns all rank in the top 1% of the public fund peer universe.** The risk-adjusted returns (measured by a system’s Sharpe ratio) also rank in the top 1% of the peer rankings.

As we turn to Fiscal Year 2023, the portfolio continues to hold up well. The estimated return thus far in Fiscal Year 2023 is 2.5% (July 1st – September 12th).

Board Portal

Presenter: Greta Bassett-Seymour, Assistant Executive Director & General Counsel (MPERS)

Ms. Bassett-Seymour demonstrated for the Board the new Board Portal which trustees began using in the spring. It is a replacement for the website trustee login page and is intended to

provide the Board with greater accessibility to information as trustees require it. It will also improve the efficiency of sharing information with trustees, as well as provide better organization of information. It is also more secure and easier for staff to update with the most current information.

Director's Comments

Presenter: Scott Simon, Executive Director (MPERS)

- MPERS participates in a member survey conducted by Cobalt Community Research. The survey's purpose is to measure members' experience with MPERS' retirement inception process. The survey results for Fiscal Year 2022 were outstanding; MPERS' score was 97/100. This is an honest reflection of the hard work and excellent customer service produced by MPERS' benefit staff.
- MPERS' Fiscal Year 2021 annual comprehensive financial report received the GFOA Certificate of Achievement for Excellence in Reporting Program. MPERS has received this award every year since 2005. This is confirmation of the high level of financial reporting being done by MPERS' financial professionals.
- The investment performance report presented to the Board during this meeting is the best ever reported. MPERS performed in the first percentile of the public fund peer universe for all time periods.
- In June, the Board approved a five-year strategic plan. Albeit very early in the process, Mr. Simon reported that the strategic plan progress is on pace.

2022 Board Meeting Dates

- Thursday, November 17, 2022

Board of Trustees

Col. Eric Olson
Board Chair
Superintendent of MSHP
Ex-Officio Member

Todd Tyler
Board Vice Chair
MoDOT Active Representative

Senator Mike Bernskoetter
Appointed by the President
Pro Tem of the Senate

W. Dustin Boatwright
Highways & Transportation
Commissioner

Matt Morice
MSHP Active Representative

Sue Cox
MoDOT Retiree Representative

Terry Ecker
Highways & Transportation
Commissioner

Representative Barry Hovis
Appointed by the
Speaker of the House

Patrick McKenna
Director of MoDOT
Ex-Officio Member

Bill Seibert
MSHP Retiree Representative

Gregg Smith
Highways & Transportation
Commissioner

