

SEPTEMBER 21, 2023 MEETING MINUTES

BOARD OF TRUSTEES

MODOT AND PATROL EMPLOYEES' RETIREMENT SYSTEM

MPERS' Office Building
1913 William St.
Jefferson City, MO 65109

- TRUSTEES PRESENT:** Ms. Sue Cox, Chair
Trooper Matt Morice, Vice Chair
Senator Mike Bernskoetter
Mr. W. Dustin Boatwright
Representative Barry Hovis
Colonel Eric Olson
Mr. Bill Seibert
Mr. Gregg Smith
Mr. Todd Tyler
- TRUSTEES ABSENT:** Mr. Warren Erdman
Mr. Patrick McKenna
- STAFF PRESENT:** Mr. Scott Simon, Executive Director
Ms. Greta Bassett-Seymour, Assistant Executive Director &
General Counsel
Mr. Larry Krummen, Chief Investment Officer
Mr. Mark Caplinger, Manager of Investments
Ms. Jennifer Even, Chief Financial Officer
Ms. Lindsey Harris-Funk, Assistant Chief Financial Officer
Ms. Katy Lacy, Human Resources Officer
Ms. Barbara Graessle, Board Secretary
- GUEST/PRESENTERS:** Ms. Heidi Barry, GRS
Mr. Jamal Adora, GRS
Mr. Ken Alberts, GRS
Mr. Kevin Leonard, NEPC

A regularly scheduled meeting of the Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS) was held on Thursday, September 21, 2023, from 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 104.108 of the Missouri Revised Statutes, as amended.

OPEN MEETING

APPROVAL OF MINUTES

Mr. Smith made a motion to approve the minutes of the meeting held on June 22, 2023. Mr. Tyler seconded the motion. By unanimous vote of all Trustees present, motion carried.

The Chair and Executive Director were authorized and directed to sign and certify the minutes and to file them in the office of the Executive Director.

BOARD SELF-EVALUATION

Presenter: Ms. Sue Cox, Board Chair, and Mr. Scott Simon, Executive Director

The *Board Self-Evaluation Policy* requires an annual self-evaluation unless the Board elects otherwise. Ms. Cox stated the last self-evaluation process was completed in Fiscal Year 2020, when Funston Advisory Services facilitated the evaluation as part of the governance consultancy. The Governance Committee elected to leave the *Board Self-Evaluation Policy* as is and proposed that the Board move ahead with the self-evaluation.

Mr. Seibert made a motion to move forward with the Board's self-evaluation and review the results at the November board workshop. Representative Hovis seconded the motion and the motion carried.

ANNUAL ACTUARIAL VALUATION REPORT – JUNE 30, 2023

Presenters: Mr. Scott Simon, Executive Director, and Ms. Heidi Barry, Mr. Jamal Adora, and Mr. Ken Alberts, GRS

Representatives from MPERS' actuary, GRS, presented the annual 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 Fiscal Year 2023, MPERS' funded status rose to 69% from 66.3%, the highest funded status in MPERS' history.

Mr. Alberts reported several major milestones were accomplished this year; the temporary funding policy is now the permanent funding policy, and the retiree unfunded liability was completely funded for the first time in System history.

CERTIFY CONTRIBUTION RATE

Presenter: Ms. Sue Cox, Board Chair

The annual valuation 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. Mr. Seibert made a motion to approve the actuary's recommendation. Colonel Olsen seconded. By unanimous vote of all Trustees present, motion carried. The contribution rate for

Fiscal Year 2025 will be 52.008% of payroll for the nonuniformed group (MoDOT and the non-uniformed portion of the Highway Patrol). Uniform Patrol will increase to 58.491%.

FY 2025 Employer Contribution Rates Expressed as a Percent of Active Payroll for Total Benefits		
	Non-Uniformed Employees	Uniformed Patrol
Benefit Normal Cost	8.260%	17.080%
Expenses	1.340%	1.340%
Disability Insurance	0.475%	0.475%
Total Normal Cost	10.075%	18.895%
Unfunded Liability	41.933%	39.596%
Total	52.008%	58.491%

FY 2023 VITAL SIGNS

Presenter: Mr. Scott Simon, Executive Director

Mr. Simon reported to the Board that all vital signs of the System, except for one, were “green” or without concern. The only exception was the total investment return versus peer average – 8.9% vs. 9.1%. The score fell into the yellow category – within 50 basis points below the median. 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: Trooper Matt Morice, Investment Committee Chair

Trooper Morice stated the Investment Committee met earlier in the day and the Board’s investment consultant, NEPC, presented on 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 REPORTS

Presenters: Mr. Larry Krummen, Chief Investment Officer, and Mr. Kevin Leonard, NEPC

- CIO Report

Mr. Krummen introduced Mark Caplinger, Manager of Investments, and welcomed him to the Investment Team. Mr. Krummen reported MPERS' portfolio ended the year with an 8.88% return and our 20-year returns rank in the top 1% of the public fund universe.

- NEPC Performance Report

Mr. Kevin Leonard provided a report on MPERS' investment performance for the quarter ending June 30, 2023. For the 1-year period ending June 30, 2023, the rate of return was average relative to peers. For all other periods (3-, 5-, 10-, and 15-year periods), the fund return was in the top 1% of the peer universe. Risk-adjusted returns shared the same positive outcome.

DIRECTOR'S COMMENTS

Presenter: Mr. Scott Simon, Executive Director

- Mr. Simon acknowledged the cyber audit was completed last year. It is important to continue advancing our cyber security responsibilities as it is one of our greatest business risk factors. We are implementing additional policies to ensure we are responsible stewards of the sensitive data and assets we are obligated to protect. As we review and apply new policies recommended by our consultant, it is possible that we may need additional staff.
- Mr. Simon reported that he has located an office building to purchase. He hopes to make an offer, subject to Board approval, before the November meeting.
- Many thanks to Senator Bernskoetter and Representative Hovis for their assistance during the last legislative session in getting MPERS' legislation to the finish line. After five years of effort, MPERS' cleanup bill and the bill staggering the terms of MPERS' elected trustees were passed. This was one of the most successful and productive sessions in recent memory, as far as the System is concerned.
- MPERS' Fiscal Year 2022 annual comprehensive financial report received the GFOA Certificate of Achievement for Excellence in Reporting. MPERS has received this award every year since 2005. This is confirmation of the quality and high level of financial reporting being done by MPERS' financial professionals.

TRUSTEES' COMMENTS

- Mr. Tyler thanked GRS for their presentation to the Board.
- Representative Hovis congratulated everyone for the fully funded status of the retiree liabilities.
- Sue encouraged everyone who has a user ID to review Board Smart 3.0 when the notifications are sent in early November, and noted this topic will be discussed in greater detail at the November meeting.

VOTE TO CLOSE MEETING

The Board voted to close its meeting on September 21, 2023, citing Sections 610.021(3) and (13), RSMo., to discuss administrative matters regarding particular employees.

Upon a motion made by Representative Hovis and seconded by Todd Tyler to convene in closed session, the following roll call vote was taken:

Ms. Sue Cox, Aye
Senator Mike Bernskoetter, Aye
Mr. W. Dustin Boatwright, Aye
Representative Barry Hovis, Aye
Trooper Matt Morice, Aye

Colonel Eric Olson, Aye
Mr. William "Bill" Seibert, Aye
Mr. Gregg Smith, Aye
Mr. Todd Tyler, Aye

ADJOURN

During the closed meeting, there was a motion to adjourn the closed meeting, however a motion to return to open session was inadvertently omitted.

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 21, 2023 in Jefferson City, Missouri, as approved by said Board at its meeting held November 16, 2023.

IN TESTIMONY WHEREOF, we have hereto set our hands and affixed the seal of said Board on November 16, 2023.

Sue W. Cox

Chair

Scott Simon

Executive Director

