Board Meeting Summary
1:00 pm on February 23, 2017

Board Elects New Chair and Vice Chair

The Board elected a new Chair and Vice Chair. Ms. Sue Cox will serve as Chair and Major Kemp Shoun will serve as Vice Chair. Ms. Cox is currently the Board’s most longstanding member, having served for approximately eight years over two separate terms. Her first term was as the elected MoDOT active employee representative and now she is serving as the elected MoDOT retiree representative. Major Shoun is the MSHP elected representative and has served on the Board for two years.

Retirement of Colonel Bret Johnson and Introduction of New Trustee

The Board recognized the many years of service of former Board Chair Colonel Bret Johnson who retired February 1st. The Board also welcomed Lieutenant Colonel Sandy Karsten to the Board as the Acting Superintendent of the Missouri State Highway Patrol.

Budget Committee Report
Presenter: Scott Simon, Executive Director

The Budget Committee met recently for the mid-year budget review. Spending was acknowledged as being in line and on track for this point in the fiscal year. The committee also considered and approved a new and essential part-time position for the accounting department. Currently, the CFO is the only individual who has the knowledge to perform almost all of the functions of the position. Furthermore, the workload is increasingly more demanding, given the many new financial reporting requirements. Lastly, the expectation would be that the new staff person would support greater progress toward general efficiencies as was as automating internal accounting processes, not to mention succession planning. At the recommendation of the Committee, the Board voted to approve the new staff position.

Investment Committee Report
Presenter: Mike Pace (Investment Committee Chair) and Kevin Leonard (NEPC)

NEPC, the board’s asset consultant, presented the 2017 capital market assumptions, which forecasts short- (5-7 years) and long-term (30 years) return expectations. The 30-year forecasted return of 7.65% falls slightly short of MPERS’ current expected investment rate of return of 7.75%. NEPC noted the forecast does not include details related to active management, which should support a slightly higher overall return from the MPERS portfolio. Staff and NEPC made no recommendations to change the current asset allocation as it is expected that through active management and tactical portfolio positioning MPERS should be better positioned to achieve the long-term return requirements.

Mr. Krummen requested that the board make two one-time exceptions to the Investment Policy regarding concentration limits, in order to make two investments, both with managers or funds where MPERS is already an investor. The Board approved both exceptions.

Investment Performance
Presenter: Larry Krummen (MPERS) and Kevin Leonard (NEPC)

As of December 31, 2016, MPERS’ fund value was $2.05 billion. MPERS’ fiscal year-to-date return (July 1st through February 14th), was an estimated 6.5%. MPERS’ portfolio generated a healthy 1.8% return in the 4th quarter of 2016, led by a rally in the equity markets after the presidential election. This rally continues into 2017, on signs of improving economic growth and the prospects of a more business-friendly U.S. Congress.

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Legislative Update
Presenter: Scott Simon, Executive Director

Mr. Simon highlighted a few MPERS-related proposals, with the following abbreviated descriptions:

HB 729 and SB 333 are nearly identical bills and if enacted, would have the effect of reducing vesting in the 2011 Tier from ten years to five years.

SB 228 is the same bill that has been introduced in years past, and if enacted, would create a new benefit plan – a hybrid plan – one that has both a defined benefit and a defined contribution piece. The defined benefit portion of the benefit would look similar to the current 2011 Tier benefit but the multiplier would be reduced from 1.7% to 1%. The defined contribution piece would require the employee to contribute 1% and the employer 3%.

SB 308, if enacted, would force retirement plans with investments in companies with active business operations in Russia to divest such investments.

For additional information regarding the status of current legislation, please visit the Joint Committee on Public Employee Retirement (JCPER) website at www.jcper.org.

2017 Board Meeting Dates
The Board approved the following dates for the 2017 board meetings:

Thursday, February 23, 2017
Thursday, April 27, 2017 (tentative)
Thursday, June 22, 2017
Thursday, September 28, 2017
Thursday, November 16, 2017