

Board Meeting Summary 1:00 pm on February 15, 2018

Value of Assets
(as of 12/31/17)
\$2.28 billion

Funded Status
(as of 6/30/17)
57.1%

Board of Trustees

Sue Cox

Board Chair
MoDOT Retiree
Representative

Bill Seibert

Board Vice-Chair
MSHP Retiree
Representative

John Briscoe

Highways & Transportation
Commissioner

Sgt. Matt Broniec

MSHP Active
Representative

Col. Sandy Karsten

Superintendent
of MSHP
Ex-Officio Member

Patrick McKenna

Director of MoDOT
Ex-Officio Member

Michael Pace

Highways & Transportation
Commissioner

Rep. Shawn Rhoads

Appointed by the
Speaker of the House

Senator Dave Schatz

Appointed by the President
Pro Tem of the Senate

Gregg Smith

Highways & Transportation
Commissioner

Todd Tyler

MoDOT Active
Representative

Board Elects New Chair and Vice Chair

The Board held elections for Chair and Vice Chair. Ms. Sue Cox will continue to serve as Chair and Mr. Bill Seibert will continue to serve as Vice Chair.

Investment Performance

Presenters: Larry Krummen, Chief Investment Officer (MPERS) & Will Forde (NEPC)

As of December 31, 2017, MPERS' fund value was \$2.28 billion. MPERS' fiscal year-to-date return (July 1, 2017 through February 6, 2018) was up an estimated six percent, despite volatility in the equity markets of late. MPERS' one-year return at calendar year-end reported by NEPC was just over 13 percent; a great year in absolute terms.

Investment Committee Report

Presenter: Mike Pace (Investment Committee Chair)

NEPC, the board's asset consultant, presented the 2018 asset class assumptions, noting a small decrease in expected long-term investment performance. No change to the asset allocation was recommended.

Mr. Krummen confirmed that staff remains in compliance with both the proxy voting and manager due diligence policies. Further, he presented his fixed income review and discussed several bonds, indicating the need to sell some due to being downgraded. Mr. Krummen requested permission to hold a long duration bond even though it was recently downgraded. The reasons for holding the bond outweigh the potential downside. The investment committee approved the request to hold the bond.

Five-Year Experience Study

Presenters: Ken Alberts and Heidi Barry (GRS)

As required by state statute, an actuarial study of the system's actual five-year experience was completed by GRS and presented to the board. The period studied was July 1, 2012, to June 30, 2017. The experience study is necessary to be sure that plan costs are accurate and funding is appropriate. The study is made up of two primary components: demographic and economic assumptions. The demographic assumptions pertain to the members such as their rates of retirement, salary trends, retirement elections, and longevity. The economic assumptions include MPERS' investment rate of return and wage and price inflation.

Four individual economic recommendations proposed that the Board reduce its investment return as well as wage and price inflation. After considerable deliberation, the Board elected to lower MPERS' economic assumptions to coincide with lower investment return expectations and continued low rates of inflation. The Board approved the recommended changes and set the following new economic assumption rates: 7.00 percent investment return, 2.25 percent price inflation and 3.00 percent wage inflation. MPERS contribution rate is expected to remain constant while the funded status is expected to decrease slightly.

Director's Comments

Presenter: Scott Simon, Executive Director (MPERS)

Mr. Simon highlighted a few MPERS-related legislative proposals. At this time, the Board does not plan to take a position on any of the bills. For additional information regarding the status of current legislation, please visit the Joint Committee on Public Employee Retirement (JCPER) website at www.jcper.org.

Recently, MPERS' information technology (IT) vendor, Huber and Associates, conducted vulnerability testing and educated staff regarding IT risk awareness. The results affirmed several areas of strength with regard to our operating platform, but also found several areas of risk that will be addressed in the coming year.

In the coming weeks, MPERS will begin the trustee election process for all four active and retiree representatives. Trustee elections have been gradually transitioning to an electronic process. This election will be the first purely electronic process with votes being cast through *myMPERS* Secure Member Access at www.mpers.org.

2018 Board Meeting Dates

Thursday, April 26, 2018 (tentative) Thursday, September 27, 2018
Thursday, June 21, 2018 Thursday, November 29, 2018